104TH CONGRESS 1st Session | HOUSE OF REPRESENTATIVES | REPORT 104–120

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1996

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 67

SETTING FORTH THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1996, 1997, 1998, 1999, 2000, 2001, AND 2002

TOGETHER WITH

MINORITY, DISSENTING, AND ADDITIONAL VIEWS

MAY 15, 1995.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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104TH CONGRESS
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CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1996

MAY 15, 1995.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. KASICH, from the Committee on the Budget, submitted the following

REPORT

together with

MINORITY, DISSENTING, AND ADDITIONAL VIEWS

[To accompany H. Con. Res. 67]

SUMMARY AND OVERVIEW

This budget is not just about the Federal Government's fiscal strategy for 1996 through 2002. It is about America's future. It is about creating the potential for prosperity, safety, and a better life for virtually every American. It is about:

—Showing true compassion by lifting the yoke of dependency fashioned by the welfare state and replacing it with an opportunity society—one in which the exercise of personal responsibility is assumed, and the achievement of an individual's destiny is a product of his or her energy and effort.

—Restoring freedom by ending centralized bureaucratic micromanagement.

—Enhancing prosperity, economic growth, and take-home pay by reducing taxes, litigation, and regulation.

—Creating opportunity for every American by leading the transformation to a third-wave, information-age society.

—Ensuring a safe future for our children and our retirement years by balancing the Federal budget and solving the financial crisis in Medicare.

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The majority party in American politics must lead the civic discussion about these issues—about pursuing the American idea. It is a moral responsibility. The debate over this fiscal year 1996 budget should be a forum for that debate.

Components of a Free Society

To begin with, there is no question about the will of the American people: They want Congress to cut spending and balance the budget. They correctly perceive a balanced budget as a fundamental means of controlling the outrageous and self-promoted growth of the Federal Government. As long as the government continues to borrow, to spend beyond its means, it will continue to grow beyond the scope ratified by those who pay the bills. There is no reason why the Federal Government should not adhere to the same budgeting practices employed by every responsible American family.

The philosophical framework for the strategy of this budget can be found in Jefferson's four components of a free society. In this model, a free society consists of the following:

1. Culture and society setting the rules by which Americans live.
2. Civic responsibility, expressed through nonprofit, private associations, as de Tocqueville described them.
3. The vast sector of private property, free markets, entrepreneurship, and the creation of wealth.
4. Limited, effective government.

It is crucial to understand that when government grows, it does so at the expense of the other three elements of society: Government increasingly makes the rules; it absorbs civic responsibility, thereby disempowering Americans' private associations; it swallows ever-growing shares of the market. This budget seeks to restore control over government's growth so the rest of society can thrive.

Hearing From the People—Again

As a rule, Americans do not speak in such theoretical terms, but they feel the results in their own experience. They also can feel it in their bank accounts. Total government taxes per household, measured in constant 1990 dollars, were $18,500 in 1994, nearly three times their level in 1950. Federal taxes as a share of median household income have risen from 5 percent in 1950 to 16 percent in 1970 to 24 percent in 1990. If taxes today were at the same level as they were in 1970, the average family would have $4,000 more in take-home pay.

Americans' response to this situation was clearly recorded on November 8, 1994. It was repeated over and over during the early months of this year, when Budget Committee members conducted field hearings across the country to learn about the public's attitude toward spending. The hearings packed meeting halls. Residents in Columbus, OH, battled a snowstorm to attend the hearing there, on January 21. In Montana, a 90-year-old woman and her 80-year-old sister drove 2½ hours to attend the February 18 session in Billings. Similar enthusiasm was expressed by the hundreds of hearing attendees in Prescott, AZ, January 28; Columbia, SC, February 4; and Manville, NJ, February 11. Committee members heard from farmers who wanted their subsidies cut; a small-business owner who wanted the Small Business Administration abolished; and senior citizens who offered whatever they could to help solve the debt problem. Countless people who don't know what "federalism" means did know that they want more of it. As one local official put it:

> I would suggest that when we look at restructuring our government, we get over the fear that Washington knows best and that localities will not do the right thing. We are the level of government people can reach out and touch. We go to church with these people, we work with them, we are the level of government that will be responsible and accountable. Give us the opportunity to do the right thing.

THE PATH TO BALANCE AND GOVERNMENT REFORM

These people might not be prepared to cite the figures associated with the government's debt, but they can sense it's a problem of large proportions. As usual, the people are right. The problem is fast becoming a crisis. Consider: The current Federal debt is approximately $4.8 trillion. Interest on the debt is $235 billion. If the growth of government spending is not curtailed, the debt will reach $7.533 trillion by 2005, with interest payments of $412 billion. Over the next 15 years—if current patterns are allowed to continue—accumulated interest payments will total $5.2 trillion. As early as 1997, Americans will pay as much interest on the debt each year—$270 billion—as they pay for national defense.

Even now, Americans are paying for this debt in another way: in the form of interest rates that are about 2 percentage points higher than they would be if the budget were balanced. This adds as much as $37,000 over 30 years to the mortgage on a $75,000 home.

A balanced budget likely will lower current interest rates by about 2 percentage points. This, in turn, will boost economic activity, leading to the following concrete benefits:

—It will lead to the creation of 4.25 million more jobs over the next 10 years.

—It will increase per capita incomes 16.1 percent.

—It will generate $235 billion more revenue for the Federal Government without a tax increase.

—It will generate $232 billion more revenue for State and local governments without a tax increase.

To reach balance, this budget achieves $1.157 trillion in deficit reduction over 7 years. By the time the task is complete, in 2002, total Federal spending will be $1.814 trillion, compared with about $1.5 trillion today. Thus, Federal spending will continue to grow, but at a slower rate than under current policies.

But the determined pursuit of a balanced budget is much more than a numbers game. It is a catalyst for reevaluating the government down to its core. Getting government back to living within its means will require fundamental, systemic reform, including the following steps:

Accepting the Full Tax Cuts From the Tax Fairness and Deficit Reduction Act of 1995 (H.R. 1215). These tax cuts, passed by the House on April 5, 1995, force an assault on government spending, because current enforcement rules—the pay-as-you-go requirement—demand spending cuts commensurate with any projected loss of revenue. In other words, the tax cuts compel spending restraint.

The tax cuts—promised in the Republican Contract With America—also are worthy policy on their own. The committee's report accompanying H.R. 1219, the Discretionary Spending Reduction and Control Act of 1995, amply justified these tax cuts, but several points are worth repeating.

First, the $500-per-child family tax credit—the cornerstone of the contract tax relief—will benefit, overwhelmingly, working families: 74 percent of the beneficiaries will be families with incomes below $75,000 a year; 89 percent will be families making less than $100,000 a year. The credit will reduce, by 10 percent, the tax burden of a family of four with a $40,000-a-year income.

Two historical facts support the value of this relief. In 1948, the average American family with children paid 3 percent of its income to the Federal Government in income and payroll taxes. Today, such a family's Federal tax burden is 24.5 percent of its income. Second, recent census data show that since 1989—the peak of the economic expansion that occurred under President Reagan—the typical American household has lost $2,344 in income, a decline of 7 percent. Clearly, the family tax credit is a helpful way to begin correcting these trends.

The other major component of the contract tax package comprises incentives for economic growth, principally the capital gains tax exclusion. Here is an attempt at a plain-spoken explanation of why it will work. This provision reduces a disincentive for capital formation. More capital formation will promote greater corporate expansion, which in turn provides ever-improving opportunities for American families.

Incorporating House Passage of Welfare Reform. No one questions that the current welfare system needs reform. The system is harmful to the very people it is supposed to help. It shackles them to a life of dependency rather than pushing them toward self-sufficiency. It also shackles taxpayers. Here are some of the facts of this failure:

—Welfare spending now exceeds $305 billion a year and has totalled $5 trillion since 1965—more than the cost of winning World War II.

—This $305 billion is about three times the amount needed to raise all poor Americans above the poverty line.

—Since 1970, the number of children in poverty has increased 40 percent.

—Since 1965, the juvenile arrest rate for violent crimes has tripled.

—Since 1960, the number of unmarried pregnant teens has nearly doubled and teen suicide has more than tripled.

The House welfare reform plan (H.R. 4, the Personal Responsibility Act of 1995), which passed the House on March 24, mantains a safety net that will not entangle its beneficiaries. It renews the basic values of American civilization, emphasizing work, family, and opportunity, and it reestablishes property ownership and full citizenship for the poor. In short, it replaces caretaking with caring.

Calling for Real Cuts in Discretionary Spending From the Fiscal Year 1995 Level. The discretionary spending cuts in this bill truly are cuts in the way normal Americans would understand—they reduce spending $150 billion over 7 years from current levels, not from some inflated, bureaucratic estimate of projected spending.

Providing Sufficient Funds to Strengthen National Defense—$1.35 Trillion Over the Next 5 Years. The Pentagon is not exempt from the drive to balance the budget. But the defense strategy reflected in this budget is responsible, sustainable, and matched by the requisite number of dollars—in contrast to the mismatch between spending and strategy reflected in the Clinton budget.

Cutting Foreign Aid by $29 Billion. Many foreign aid programs are wasteful and counterproductive. They need to be reformed.

Keeping the Promise of Protecting Social Security. This budget makes no changes whatsoever in Social Security benefits, and it repeals the increased taxes on Social Security benefits that were part of the 1993 Clinton/Democrat tax bill.

Block Granting Medicaid and Reducing Its Growth Rate to 4 Percent by 2002. This plan holds Medicaid spending growth to a sustainable rate and shifts the operation of this program where it belongs—to State governments. It is consistent with proposals by the Nation's Republican Governors.

Block Granting Job Training. In a report to the Budget and Economic and Educational Opportunities Committee, the General Accounting Office identified 163 different Federal job training programs. The Department of Labor in its fiscal year 1996 Budget proposed consolidating about 70 employment and training programs explaining:

> Existing [job training] programs have conflicting rules and administrative structures, confuse the people they are intended to help, add bureaucracy at every level, and waste taxpayer money.

Combining these programs into block grants would eliminate duplicative programs, increase management efficiency and provide the states the flexibility to develop innovative programs. This proposal assumes block granting would consolidate 64 programs and would total approximately $7.5 billion a year. The Opportunities Committee may pursue an even more ambitious plan.

Eliminating the Departments of Education, Commerce, and Energy. These proposals are consistent with plans being drafted by House Republican freshmen to discard needless and unwieldy bureaucratic structures. This budget also terminates or privatizes 284 programs, 13 agencies, and 69 commissions.

Reforming Veterans Programs, Student Loans, Agriculture, Federal Retirement, and Publicly Assisted Housing. The task of balancing the budget is a shared project, including the efforts of these constituencies.

Privatizing the General Services Administration, Public Broadcasting, and Power Marketing Administrations. Many speak of the virtues of the competitive private sector. Privatizing the public institutions above will give further proof.

Eliminating Unfair, Market-Distorting Federal Subsidies. Many of the Nation's largest corporations receive Federal grants for work the companies would pursue on their own. In other cases, these funds only promote a cumbersome, backward-looking industrial policy. This budget halts these outrages.

THE CRISIS IN MEDICARE

Finally, there is Medicare. The political sensitivity of this issue reflects, in part, the extent to which American senior citizens are protective of this program. But the program's popularity is precisely the reason to worry about its financial prospects. In the past 7 years, the Federal Government has spent $923 billion on Medicare. In the next 7 years, the program's spending will total $1.87 trillion, under current policies. The government spent, on average, $4,684 for each Medicare beneficiary in 1995. In 2002, the cost of Medicare per beneficiary will be $8,415.

These trends cannot be sustained: They threaten Medicare's long-term solvency. If no solution is found, the Medicare Part A Trust Fund is projected to be broke by 2002. The Part B Trust Funds already draw tens of billions of dollars from general revenues each year just to stay afloat. Guy King, former chief actuary at the Health Care Financing Administration, says Congress must immediately reduce the growth in Medicare spending by one-third or increase payroll taxes by more than 50 percent to keep Medicare Part A in balance over the next 25 years.

Medicare does not need to be cut; it needs to be transformed in such a way as to adjust its growth to a rate that can be sustained for the long term.

The Committees on Commerce and Ways and Means will address this issue this summer and will seek to draft a long-term solution. In the meantime, this budget describes three potential strategies for reforming Medicare. As is true of other proposals here, these strategies are offered for illustrative purposes only. The Budget Committee hopes these road maps can provide a starting point for the crucial Medicare debate to come.

Critics are welcome to challenge this plan, in its scope or its detail; that is part of the needed debate. But in fairness, a principle set down by the President in 1993 ought to be followed: Those who would criticize this plan should be required to offer their own alternatives—with the same level of comprehensiveness and specificity—to balance the Federal budget by 2002.

CONCLUSION

America stands at a crossroads. Down one path lies more and more debt and the continued degradation of the Federal Government and the people it is intended to serve. Down the other lies the restoration of the American dream—the romantic vision in which families improve their lives through responsibility and hard work; in which the sturdiest safety net is fashioned by communities of neighbors helping neighbors; in which the government operates within its means; and in which every problem is a challenge and an opportunity. We choose the second of these roads. We do it because it's right. We do it because it's sensible. We do it because America's future does not belong to the Congress, or the administration, or any political party. It belongs to the American people themselves.

SUMMARY TABLES

HOUSE BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Committee recommendation—total budget						
	1996	1997	1998	1999	2000	2001	2002
Budget authority	1,592.1	1,643.1	1,685.2	1,732.8	1,775.4	1,803.2	1,841.0
Outlays	1,586.4	1,624.0	1,650.0	1,700.7	1,749.6	1,777.7	1,814.6
Revenues	1,432.2	1,450.5	1,511.0	1,569.6	1,641.3	1,722.4	1,815.2
Deficit (−)/Surplus (+)	−154.2	−173.5	−139.0	−131.1	−108.3	−55.3	+0.6
Debt subject to limit	5,195.0	5,516.1	5,809.8	6,099.7	6,374.3	6,614.4	6,806.1
050 National defense:							
Budget authority	267.3	269.3	277.3	281.3	287.3	287.3	287.2
Outlays	265.1	265.3	265.3	271.3	279.3	279.3	279.2
150 International affairs:							
Budget authority	15.8	13.7	11.3	9.7	10.5	12.0	12.0
Outlays	17.0	15.1	13.3	11.5	10.0	11.1	10.7
250 General science, space and technology:							
Budget authority	16.7	16.3	15.7	15.3	14.9	14.9	14.9
Outlays	16.9	16.6	16.0	15.4	15.0	14.9	14.9
270 Energy:							
Budget authority	4.4	3.9	3.6	3.9	3.6	3.6	3.5
Outlays	4.3	3.2	2.9	3.1	2.7	2.5	2.3
300 Natural resources and environment:							
Budget authority	19.3	19.1	17.2	18.6	17.4	17.9	17.8
Outlays	20.2	19.9	17.8	19.1	17.8	18.2	18.1
350 Agriculture:							
Budget authority	13.0	12.8	11.6	11.4	10.2	8.1	8.1
Outlays	11.8	11.5	10.4	10.1	9.0	7.1	7.0
370 Commerce and housing credit:							
Budget authority	6.4	10.9	4.0	5.1	1.7	1.3	1.0
Outlays	−6.9	−3.4	−6.1	−3.1	−3.6	−2.5	−2.6
400 Transportation:							
Budget authority	40.5	42.7	43.5	43.7	44.3	43.8	43.3
Outlays	38.8	37.5	36.6	35.6	34.9	34.2	33.7
450 Community and regional development:							
Budget authority	6.7	6.7	6.7	6.7	6.7	6.2	6.1
Outlays	9.9	7.8	6.7	6.5	6.6	6.4	6.4
500 Education, training and social services:							
Budget authority	45.7	45.0	44.9	45.4	45.9	45.0	44.6
Outlays	52.3	46.4	44.6	44.7	45.2	44.2	43.7
550 Health:							
Budget authority	121.9	127.7	132.1	136.7	141.5	146.3	149.1
Outlays	122.3	127.8	132.2	136.7	141.4	146.2	148.9
570 Medicare:							
Budget authority	177.6	186.6	195.9	206.3	214.8	224.4	234.6

HOUSE BUDGET COMMITTEE RECOMMENDATION—Continued

[In billions of dollars]

	Committee recommendation—total budget						
	1996	1997	1998	1999	2000	2001	2002
Outlays	175.2	185.0	194.2	203.7	212.9	222.4	232.4
600 Income security:							
Budget authority	222.7	231.8	248.4	255.4	265.9	267.6	277.6
Outlays	225.0	235.3	243.9	254.3	267.6	269.0	279.1
650 Social Security:							
Budget authority	354.3	374.1	394.3	413.9	433.9	455.0	477.2
Outlays	354.2	373.0	393.2	412.6	432.7	453.7	475.7
700 Veterans benefits and services:							
Budget authority	37.6	38.1	38.5	39.1	39.2	39.7	40.1
Outlays	36.9	38.1	38.5	39.0	40.6	41.2	41.6
750 Administration of justice:							
Budget authority	17.8	16.9	16.6	16.4	16.4	16.0	15.9
Outlays	17.8	17.1	16.9	16.7	16.6	16.2	16.1
800 General government:							
Budget authority	11.6	11.6	12.5	11.7	12.1	11.3	11.3
Outlays	12.4	11.8	12.6	11.5	12.0	11.1	11.0
900 Net interest:							
Budget authority	256.3	259.6	258.7	259.2	258.5	252.8	248.6
Outlays	256.3	259.6	258.7	259.2	258.5	252.8	248.6
920 Allowances:							
Budget authority	−2.3	−2.4	−2.4	−2.5	−2.6	−2.6	−2.6
Outlays	−1.9	−2.3	−2.5	−2.7	−2.8	−2.9	−2.9
950 Offsetting receipts:							
Budget authority	−41.2	−41.3	−45.2	−44.5	−46.8	−47.4	−49.3
Outlays	−41.2	−41.3	−45.2	−44.5	−46.8	−47.4	−49.3

HOUSE BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Committee recommendation—on budget						
	1996	1997	1998	1999	2000	2001	2002
Budget authority	1,285.9	1,321.9	1,355.8	1,388.8	1,421.8	1,436.0	1,459.8
Outlays	1,287.0	1,313.9	1,326.8	1,363.5	1,400.8	1,414.2	1,437.3
Revenues	1,057.5	1,058.5	1,099.6	1,138.7	1,189.3	1,247.2	1,316.6
Deficit (−)/Surplus (+)	−229.5	−255.4	−227.2	−224.8	−211.5	−167.0	−120.7
Debt subject to limit	5,195.0	5,516.1	5,809.8	6,099.7	6,374.3	6,614.4	6,806.1
050 National defense:							
Budget authority	267.3	269.3	277.3	281.3	287.3	287.3	287.2
Outlays	265.1	265.3	265.3	271.3	279.3	279.3	279.2
150 International affairs:							
Budget authority	15.8	13.7	11.3	9.7	10.5	12.0	12.0
Outlays	17.0	15.1	13.3	11.5	10.0	11.1	10.7
250 General science, space and technology:							
Budget authority	16.7	16.3	15.7	15.3	14.9	14.9	14.9
Outlays	16.9	16.6	16.0	15.4	15.0	14.9	14.9
270 Energy:							
Budget authority	4.4	3.9	3.6	3.9	3.6	3.6	3.5
Outlays	4.3	3.2	2.9	3.1	2.7	2.5	2.3
300 Natural resources and environment:							
Budget authority	19.3	19.1	17.2	18.6	17.4	17.9	17.8
Outlays	20.2	19.9	17.8	19.1	17.8	18.2	18.1
350 Agriculture:							
Budget authority	13.0	12.8	11.6	11.4	10.2	8.1	8.1
Outlays	11.8	11.5	10.4	10.1	9.0	7.1	7.0
370 Commerce and housing credit:							
Budget authority	2.3	4.1	2.8	2.2	1.9	1.3	1.0
Outlays	−6.9	−2.6	−4.7	−3.0	−2.2	−2.5	−2.6
400 Transportation:							
Budget authority	40.5	42.7	43.5	43.7	44.3	43.8	43.3

HOUSE BUDGET COMMITTEE RECOMMENDATION—Continued

[In billions of dollars]

	Committee recommendation—on budget						
	1996	1997	1998	1999	2000	2001	2002
Outlays	38.8	37.5	36.6	35.6	34.9	34.2	33.7
450 Community and regional development:							
Budget authority	6.7	6.7	6.7	6.7	6.7	6.2	6.1
Outlays	9.9	7.8	6.7	6.5	6.6	6.4	6.4
500 Education, training and social services:							
Budget authority	45.7	45.0	44.9	45.4	45.9	45.0	44.6
Outlays	52.3	46.4	44.6	44.7	45.2	44.2	43.7
550 Health:							
Budget authority	121.9	127.7	132.1	136.7	141.5	146.3	149.1
Outlays	122.3	127.8	132.2	136.7	141.4	146.2	148.9
570 Medicare:							
Budget authority	177.6	186.6	195.9	206.3	214.8	224.4	234.6
Outlays	175.2	185.0	194.2	203.7	212.9	222.4	232.4
600 Income security:							
Budget authority	222.7	231.8	248.4	255.4	265.9	267.6	277.6
Outlays	225.0	235.3	243.9	254.3	267.6	269.0	279.1
650 Social Security:							
Budget authority	5.9	8.1	8.8	9.6	10.5	11.1	11.7
Outlays	8.5	10.5	11.3	12.1	12.9	13.5	14.1
700 Veterans benefits and services:							
Budget authority	37.6	38.1	38.5	39.1	39.2	39.7	40.1
Outlays	36.9	38.1	38.5	39.0	40.6	41.2	41.6
750 Administration of justice:							
Budget authority	17.8	16.9	16.6	16.4	16.4	16.0	15.9
Outlays	17.8	17.1	16.9	16.7	16.6	16.2	16.1
800 General government:							
Budget authority	11.6	11.6	12.5	11.7	12.1	11.3	11.3
Outlays	12.4	11.8	12.6	11.5	12.0	11.1	11.0
900 Net interest:							
Budget authority	295.8	304.1	308.4	314.3	319.4	320.0	322.6
Outlays	295.8	304.1	308.4	314.3	319.4	320.0	322.6
920 Allowances:							
Budget authority	−2.3	−2.4	−2.4	−2.5	−2.6	−2.6	−2.6
Outlays	−1.9	−2.3	−2.5	−2.7	−2.8	−2.9	−2.9
950 Offsetting receipts:							
Budget authority	−34.4	−34.2	−37.6	−36.4	−38.1	−37.9	−39.0
Outlays	−34.4	−34.2	−37.6	−36.4	−38.1	−37.9	−39.0

HOUSE BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Committee recommendation—off-budget						
	1996	1997	1998	1999	2000	2001	2002
Budget authority	306.2	321.2	329.4	344.0	353.6	367.2	381.2
Outlays	299.4	310.1	323.2	337.2	348.8	363.5	377.3
Revenues	374.7	392.0	411.4	430.9	452.0	475.2	498.6
Deficit (−)/Surplus (+)	+75.3	+81.9	+88.2	+93.7	+103.2	+111.7	+121.3
Debt subject to limit	NA	NA	NA	NA	NA	NA	NA
050 National defense:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150 International affairs:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
250 General science, space and technology:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
270 Energy:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0

HOUSE BUDGET COMMITTEE RECOMMENDATION—Continued

[In billions of dollars]

	Committee recommendation—off-budget						
	1996	1997	1998	1999	2000	2001	2002
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
300 Natural resources and environment:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
350 Agriculture:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
370 Commerce and housing credit:							
Budget authority	4.1	6.8	1.2	2.9	−0.2	0.0	0.0
Outlays	0.0	−0.8	−1.4	−0.1	−1.4	0.0	0.0
400 Transportation:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
450 Community and regional development:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
500 Education, training and social services:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
550 Health:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
570 Medicare:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
600 Income security:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
650 Social Security:							
Budget authority	348.4	366.0	385.5	404.3	423.4	443.9	465.5
Outlays	345.7	362.5	381.9	400.5	419.8	440.2	461.6
700 Veterans benefits and services:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
750 Administration of justice:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
800 General government:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
900 Net interest:							
Budget authority	−39.5	−44.5	−49.7	−55.1	−60.9	−67.2	−74.0
Outlays	−39.5	−44.5	−49.7	−55.1	−60.9	−67.2	−74.0
920 Allowances:							
Budget authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outlays	0.0	0.0	0.0	0.0	0.0	0.0	0.0
950 Offsetting receipts:							
Budget authority	−6.8	−7.1	−7.6	−8.1	−8.7	−9.5	−10.3
Outlays	−6.8	−7.1	−7.6	−8.1	−8.7	−9.5	−10.3

FY 1996 Budget Resolution—Credit Budget

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	5 Yr	7 Yr
Direct Loans	37.6	40.2	42.3	45.7	45.8	45.8	46.1	211.6	303.5
Guaranteed Loans	193.4	187.9	185.3	183.3	184.7	186.1	187.6	934.6	1308.3
050 NATIONAL DEFENSE									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FY 1996 Budget Resolution—Credit Budget—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	5 Yr	7 Yr
Guaranteed Loans	1.7	1.7	1.7	1.7	1.7	1.7	1.7	8.5	11.9
050 INTERNATIONAL AFFAIRS									
Direct Loans	5.7	5.7	5.7	5.7	5.7	5.7	5.7	28.5	39.9
Guaranteed Loans	18.3	18.3	18.3	18.3	18.3	18.3	18.3	91.5	128.1
250 GENERAL SCIENCE, SPACE, AND TECHNOLOGY									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
270 ENERGY									
Direct Loans	1.2	1.2	1.2	1.2	1.2	1.2	1.2	6.0	8.4
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
300 NATURAL RESOURCES AND ENVIRONMENT									
Direct Loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.7
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
350 AGRICULTURE									
Direct Loans	11.5	11.5	10.9	11.6	11.4	11.1	10.9	56.9	78.9
Guaranteed Loans	5.7	5.7	5.7	5.7	5.7	5.7	5.7	28.5	39.9
370 COMMERCE AND HOUSING CREDIT									
Direct Loans	1.4	1.4	1.4	1.4	1.4	1.4	1.4	7.0	9.8
Guaranteed Loans	123.1	123.1	123.1	123.1	123.1	123.1	123.1	615.5	861.7
400 TRANSPORTATION									
Direct Loans	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.0	1.4
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
450 COMMUNITY AND REGIONAL DEVELOPMENT									
Direct Loans	2.7	2.7	2.7	2.7	2.7	2.7	2.7	13.5	18.9
Guaranteed Loans	1.2	1.2	1.2	1.2	1.2	1.2	1.2	6.0	8.4
500 EDUCATION, TRAINING & SOCIAL SERVICES									
Direct Loans	13.6	16.3	19.1	21.8	21.9	22.0	22.2	92.7	136.9
Guaranteed Loans	16.3	15.9	15.2	14.3	15.0	15.8	16.6	76.7	109.1
550 HEALTH									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.5	2.1
570 MEDICARE									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
600 INCOME SECURITY									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.7
650 SOCIAL SECURITY									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
700 VETERANS BENEFITS AND SERVICES									
Direct Loans	1.2	1.1	1.0	1.0	1.2	1.4	1.7	5.5	8.6
Guaranteed Loans	26.7	21.6	19.7	18.6	19.3	19.9	20.6	105.9	146.4
750 ADMINISTRATION OF JUSTICE									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
800 GENERAL GOVERNMENT									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
900 NET INTEREST									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
920 ALLOWANCES									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FY 1996 Budget Resolution—Credit Budget—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	5 Yr	7 Yr
950 OFFSETTING RECEIPTS									
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

COMPARISON OF THE FY 1996 BUDGET WITH 1995 SPENDING LEVELS

[In billions of dollars]

	1995 actual	Change from 1995 level							5 YR	7 YR
		1996	1997	1998	1999	2000	2001	2002		
Spending	1,529.9	56.4	93.8	120.1	171.0	219.6	247.8	284.6	660.8	1,193.2
Percent	NA	3.7	6.1	7.8	11.2	14.4	16.2	18.6	8.6	11.1
050 NATIONAL DEFENSE										
Spending	269.6	−4.6	−4.4	−4.4	1.7	9.7	9.6	9.6	−1.9	17.3
Percent	NA	−1.7	−1.6	−1.6	0.6	3.6	3.6	3.6	−0.1	0.9
150 INTERNATIONAL AFFAIRS										
Spending	18.9	−1.8	−3.8	−5.6	−7.3	−8.9	−7.8	−8.2	−27.5	−43.5
Percent	NA	−9.7	−20.3	−29.5	−38.9	−47.2	−41.2	−43.4	−29.1	−32.9
250 GENERAL SCIENCE, SPACE, AND TECHNOLOGY										
Spending	17.5	−0.7	−1.0	−1.6	−2.1	−2.5	−2.6	−2.7	−7.8	−13.1
Percent	NA	−3.9	−5.5	−8.9	−12.0	−14.3	−15.0	−15.1	−8.9	−10.7
270 ENERGY										
Spending	4.9	−0.6	−1.8	−2.1	−1.9	−2.3	−2.4	−2.7	−8.7	−13.8
Percent	NA	−13.1	−36.3	−42.0	−37.9	−45.8	−49.4	−54.0	−35.0	−39.8
300 NATURAL RESOURCES AND ENVIRONMENT										
Spending	21.7	−1.6	−1.9	−3.9	−2.6	−4.0	−3.5	−3.7	−13.9	−21.1
Percent	NA	−7.1	−8.5	−18.0	−12.1	−18.2	−16.3	−16.9	−12.8	−13.9
350 AGRICULTURE										
Spending	12.7	−0.9	−1.3	−2.3	−2.6	−3.7	−5.7	−5.7	−10.7	−22.0
Percent	NA	−7.0	−9.9	−18.0	−20.2	−29.2	−44.5	−44.6	−16.9	−24.8
370 COMMERCE AND HOUSING CREDIT										
Spending	−13.5	6.6	10.1	7.4	10.4	9.9	11.0	10.9	44.4	66.3
Percent	NA	48.5	74.4	54.8	77.2	73.4	81.5	80.5	65.7	70.0
400 TRANSPORTATION										
Spending	39.3	−0.5	−1.9	−2.7	−3.7	−4.4	−5.1	−5.6	−13.3	−24.0
Percent	NA	−1.3	−4.8	−6.9	−9.5	−11.2	−13.1	−14.3	−6.7	−8.7
450 COMMUNITY AND REGIONAL DEVELOPMENT										
Spending	11.6	−1.7	−3.8	−4.9	−5.1	−5.0	−5.1	−5.2	−20.4	−30.8
Percent	NA	−14.6	−32.5	−42.0	−43.9	−43.4	−44.4	−44.6	−35.3	−37.9
500 EDUCATION, TRAINING & SOCIAL SERVICES										
Spending	54.7	−2.5	−8.3	−10.1	−10.0	−9.6	−10.5	−11.1	−40.4	−62.0
Percent	NA	−4.5	−15.1	−18.5	−18.3	−17.5	−19.2	−20.2	−14.8	−16.2

COMPARISON OF THE FY 1996 BUDGET WITH 1995 SPENDING LEVELS—Continued

[In billions of dollars]

	1995 actual	Change from 1995 level							5 YR	7 YR
		1996	1997	1998	1999	2000	2001	2002		
550 HEALTH										
Spending	115.8	6.6	12.0	16.4	20.9	25.6	30.4	33.1	81.6	145.2
Percent	NA	5.7	10.4	14.2	18.1	22.1	26.3	28.6	14.1	17.9
570 MEDICARE										
Spending	161.1	14.2	24.0	33.2	42.7	51.9	61.3	71.3	165.9	298.6
Percent	NA	8.8	14.9	20.6	26.5	32.2	38.1	44.3	20.6	26.5
600 INCOME SECURITY										
Spending	222.2	2.7	13.1	21.7	32.1	45.4	46.8	56.8	114.9	218.5
Percent	NA	1.2	5.9	9.7	14.4	20.4	21.0	25.6	10.3	14.0
650 SOCIAL SECURITY										
Spending	336.2	17.9	36.8	56.9	76.3	96.5	117.4	139.5	284.5	541.4
Percent	NA	5.3	11.0	16.9	22.7	28.7	34.9	41.5	16.9	23.0
700 VETERANS BENEFITS AND SERVICES										
Spending	37.4	−0.5	0.7	1.1	1.6	3.2	3.8	4.2	6.2	14.3
Percent	NA	−1.2	1.8	3.0	4.4	8.6	10.2	11.2	3.3	5.4
750 ADMINISTRATION OF JUSTICE										
Spending	17.1	0.7	−0.1	−0.2	−0.4	−0.6	−0.9	−1.0	−0.6	−2.6
Percent	NA	4.1	−0.3	−1.4	−2.5	−3.3	−5.5	−6.0	−0.7	−2.2
800 GENERAL GOVERNMENT										
Spending	13.4	−1.0	−1.6	−0.8	−1.9	−1.4	−2.3	−2.4	−6.7	−11.4
Percent	NA	−7.6	−11.9	−6.0	−14.0	−10.6	−17.3	−17.8	−10.0	−12.2
900 NET INTEREST										
Spending	235.4	21.0	24.2	23.4	23.8	23.1	17.5	13.2	115.5	146.2
Percent	NA	8.9	10.3	9.9	10.1	9.8	7.4	5.6	9.8	8.9
920 ALLOWANCES										
Spending	0.0	−1.9	−2.3	−2.5	−2.7	−2.8	−2.9	−2.9	−12.3	−18.1
Percent	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
950 OFFSETTING RECEIPTS										
Spending	−46.2	5.0	4.9	1.0	1.7	−0.7	−1.1	−3.1	12.0	7.8
Percent	NA	10.8	10.6	2.2	3.8	−1.4	−2.5	−6.6	5.2	2.4

FUNCTION 050: NATIONAL DEFENSE

This function is composed of programs for the Department of Defense and defense-related activities of the Department of Energy. Function 050 includes the pay allowances for active duty military personnel and civilian personnel. Function 050 also includes the funding to develop, equip, operate, and maintain the weapon systems for this force.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 050: NATIONAL DEFENSE

[In millions of dollars]

House Budget Committee Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget authority	261,418	267,294	269,338	277,269	281,320	287,336	287,268	287,234
Outlays	269,626	265,057	265,266	265,269	271,317	279,329	279,260	279,226
DISCRETIONARY	Changes from 1995 levels							
Reduce the DOD civilian work force:								
Budget authority	41,730	−20	−165	−520	−1,055	−1,735	−2,155	−2,260
Outlays	40,061	−20	−160	−510	−1,040	−1,715	−2,145	−2,260

DISCUSSION OF POLICY ASSUMPTIONS

The Budget Committee recommends a National Defense (Function 050) outlay total of $1,346 billion over five years, an aggregate that the Congressional Budget Office [CBO] estimates would exceed the administration's 5-year National Defense budget by $46 billion. The committee believes its recommended budget level, combined with a vigorous reprioritization of resources and aggressive reform, will support both near-term readiness and balanced modernization.

For fiscal year 1996, the Committee supports a National Defense budget authority function total of $267.294 billion and an estimated outlay function total of $265.057 billion. This recommendation would equate to approximately $45 million in budget authority for Procurement so as to reverse the long-term decline in that account. The National Defense topline would also assume an increase to $35 million for Research, Development, Test, and Evaluation (RDT&E) to reflect the need for advanced weaponry in the post-2000 time frame. The Committee's budget recommendation assumes that budget authority for Military Personnel, Operations and Maintenance, and Military Construction will not deviate significantly from the Administration request.

Since January 1993, the administration has pursued a defense program driven by budgetary necessity rather than national military strategy. In March 1993, then-Secretary of Defense Aspin conceded that the administration had used a budget plug of $127 billion in defense cuts over five years to satisfy other priorities. He also pledged that the administration would conduct a Bottom-Up Review to match the cuts with the national military strategy. This review, completed in October 1993, is the centerpiece of the Clinton defense strategy. But the General Accounting Office has concluded that there are serious flaws in both the Future Years Defense Plan and the military strategy it is intended to support. GAO found the FYDP to be underfunded by up to $150 billion. The main causes of the underfunding were optimistic inflation assumptions, understated weapon system costs, and inflated savings estimates from base closures and various management initiatives.

GAO's analysis of the BUR found that the strategy may be too ambitious for the forces programmed to execute it. In particular, there may be insufficient airlift, sealift, army support forces, and bombers to sustain a strategy of winning two major regional conflicts nearly simultaneously without allied support and with residual forces engaged in peacekeeping. Critical firepower enhancements, such as precision-guided munitions, are not likely to be available in the numbers required by 1999, when the BUR is to be fully implemented. It is therefore likely that the administration is locked into an overly ambitious strategy funded by a budget that understates the forces necessary to implement the strategy.

The administration conceded this mismatch with its December 1994, decision to add $25 billion to the defense budget over six years. With the bulk of these funds programmed for the out-years, however, the addition does little to address the near-term mismatch. The same month it decided to add the $25 billion, the administration announced a combination of program terminations and stretch-outs intended to obtain $8 billion in savings. This action, however, merely aggravates the modernization shortfall in the Clinton defense program.

This shortfall has been exacerbated by the large increase of spending in the defense budget that is unrelated to military capabilities. The Congressional Research Service estimates that between fiscal year 1990 and fiscal year 1994, spending in this category grew from $3.0 billion to $12.7 billion. The increase in nondefense spending occurred against a background of substantial overall defense budget reductions. The largest items in this area of spending are environmental spending, defense conversion, spending for so-called nontraditional missions (such as U.N. peacekeeping and the housing of migrants at Guantanamo), and miscellaneous Congressional earmarks.

The strategy/funding mismatch, combined with the drain of nondefense spending, have put the administration's defense plan on a path toward strategic bankruptcy. The Committee therefore strongly recommends an aggressive reform agenda for the Pentagon. Although the budget resolution will establish a higher funding level for National Defense relative to the administration's budget, more resources cannot by themselves correct the imbalances and inefficiencies that hamper the execution of a sound defense program.

Nor can the Department of Defense escape the scrutiny that other departments of government will receive.

Accordingly, the Committee believes it is necessary to aggressively reduce non-defense spending in the defense function. Although the Committee supports environmental remediation where it is necessary to protect health or safeguard the environment, it also believes a prudent, cost-benefit methodology needs greater emphasis. The Department of Defense should adopt a zero-based approach that ranks environmental projects according to priority to ensure that pressing requirements are met while remaining within budgetary constraints. Closing bases should be cleaned up to a standard that meets reasonably anticipated future land uses, rather than the highest possible standard.

Defense conversion programs such as the Technology Reinvestment Project could be eliminated. Defense research funds should be restricted to traditional defense-oriented projects that fulfil national defense needs.

The Committee also believes acquisition is an area in which comprehensive reform is necessary to deliver weapon systems to our troops in a more timely fashion and at a more acceptable cost. Despite several attempts at acquisition reform in recent years, results have been marginal. GAO estimates that a major weapon system requires about 17 years on average from inception to field deployment, roughly double the length of time required to develop these systems in the 1950s. Meanwhile, development time for commercial products has substantially decreased. Piecemeal reform cannot redress the current situation, which combines the worst aspects of overly complex statutes and regulations with DOD's own, bureaucratically-driven acquisition culture. Separate legislation, H.R. 1368, has been introduced in an effort to deal with acquisition reform in a comprehensive manner.

Active duty combat force structure has been cut approximately one-third since the late 1980s. Therefore, the Committee is disappointed that infrastructure, overhead, and bureaucracy have not been reduced by a commensurate proportion. If the 1995 recommendation to the Base Realignment and Closure Commission [BRAC] is accepted, the four base closing actions (1988, 1991, 1993, and 1995) will have reduced the base infrastructure by only about 21 percent. Because 1995 is the last Congressionally mandated year for base closings, the Committee recommends that the BRAC process continue, albeit with certain reforms to make BRAC more cost-effective. In particular, DOD should have greater ability to generate proceeds through land sales, as well as to reduce costs associated with environmental cleanup.

DISCRETIONARY SPENDING

Reduce the DOD Civilian Acquisition Work Force. The Department of Defense has reduced its civilian work force substantially since the late 1980's. As part of this effort, the Department reduced the number of civilian jobs allocated to acquisition by about 23 percent. Total defense civilian employment decreased from about 1.1 million employees in 1988 to about 873,000 in 1995, a reduction of about 20 percent. Today, DOD acquisition agencies employ approximately 425,000 civilian workers. DOD plans to reduce the size of its total civilian work force by an additional 14 percent during the next 5 years. Presumably, future reductions in the number of acquisition jobs will continue to approximate those in the overall civilian workforce. This proposal assumes a reduction of 10 percent in civilian acquisition jobs beyond the reductions in the administration's plan. According to the Congressional Budget Office, the Department could reduce the number of civilian acquisition personnel and achieve significant savings through streamlining and consolidating the existing military command structure that governs defense acquisition. Since fiscal year 1986, DOD procurement funding has declined 71 percent in real terms; the acquisition work force has not declined to reflect the reduction in Pentagon acquisition; and substantial overhead remains.

FUNCTION 150: INTERNATIONAL AFFAIRS

This function is composed of the international affairs programs of the United States, including foreign economic and security assistance programs, operations of the State Department and other foreign affairs agencies, information and educational exchange programs, and export promotion activities.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION
FUNCTION 150: INTERNATIONAL AFFAIRS
[In millions of dollars]

House Budget Committee Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: HBC balanced budget path:								
Budget Authority	18,858	15,800	13,660	11,308	9,668	10,489	12,044	12,024
Outlays	18,881	17,045	15,054	13,303	11,545	9,965	11,108	10,683
DISCRETIONARY	Changes from 1995 Levels							
Reduce Subsidies for International Exports and Investment, including Public Law 480:								
Budget Authority	2258	−282	−365	−508	−750	−933	−933	−933
Outlays	2009	−140	−273	−383	−650	−788	−880	−924
Cease Supporting the International Development Association (IDA) and Reform Multilateral Development Banks (excluding the World Bank):								
Budget Authority	1928	−1293	−1617	−1686	−1830	−1830	−1830	−1830
Outlays	1572	−139	−434	−693	−980	−1361	−1472	−1632
Eliminate the United States Information Agency (USIA) Educational and Cultural Exchanges, and Terminate Overseas Non-Military Broadcasting:								
Budget Authority	866	−134	−301	−620	−824	−824	−824	−824
Outlays	895	−103	−208	−495	−757	−812	−816	−816
Reform the Department of State:								
Budget Authority	3830	−20	−391	−844	−966	−1071	−1071	−1071
Outlays	3888	−17	−315	−750	−919	−1061	−1061	−1061
Restructure Development and Humanitarian Assistance:								
Budget Authority	6748	−681	−1117	−1960	−2262	−2728	−2728	−2728
Outlays	7117	−96	−474	−1064	−1486	−2088	−2290	−2518
Reform the Remaining Elements of U.S. Foreign Policy:								
Budget Authority	5229	280	103	−90	−213	−517	897	897
Outlays	5921	85	40	−60	−176	−490	803	847

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SPENDING

Reduce Subsidies for International Exports and Investment, including Public Law 480. The proposal calls for major changes in the Public Law 480 program. According to the Congressional Budget Office, [c]hanges in the world over the past 40 years may have rendered the program obsolete. * * * The market development aspect of the Public Law 480 is relatively insignificant for two reasons: exports under Titles I and III are a small portion of total U.S. agricultural exports, and the countries currently receiving Public Law 480 commodities are unlikely to become commercial customers. President Clinton proposed reductions in Public Law 480. This proposal accepts the President's funding level through 1998. It then assumes that Title I will be eliminated and that the Congress will take steps to reduce transportation costs.

This function also contains three international export/investment agencies: the Overseas Private Investment Corporation [OPIC], the U.S. Trade and Development Agency, and the Export-Import Bank. OPIC is a government corporation that provides financing and political risk insurance to U.S. companies investing in developing regions. OPIC's new insurance and finance commitments have recently increased rapidly, thereby representing [the Clinton] Administration's commitment to supporting American business overseas. The House Committee on the Budget believes that the functions of OPIC can, and should, be performed through the private sector. In addition, the Committee is extremely concerned about the highly speculative nature of OPIC's recent activities. This proposal assumes that OPIC's insurance activities will be privatized. Likewise, the U.S. Trade and Development Agency [TDA] provides grants for feasibility studies for major development projects in the developing world. The House Committee on Appropriations recently encouraged TDA to cooperate with the Congress in developing a method of recouping a portion of its costs from American companies that benefit from its financial support, thereby reducing TDA's future appropriation requirements. This proposal accepts this recommendation. Finally, the Export-Import Bank promotes U.S. exports by providing subsidized financing to foreign buyers of U.S. goods. The bank makes direct loans with below-market interest rates and provides guarantees of private lending without receiving full compensation for the contingent liabilities. It is assumed that the subsidy appropriation for the bank will be reduced by either raising risk-related fees or rationing resources to sales that would not go forward without government financing.

Cease Supporting the International Development Association [IDA] and Reform Multilateral Development Banks (excluding the World Bank). IDA, an affiliate of the World Bank, is supposed to make low-interest loans—known as soft loans—to the world's poorest nations. Recently, two major recipients of IDA funds have been the People's Republic of China and India. In 1946, American authorities resolved that concessionary loans to foreign governments had no place among the techniques of American statecraft. Soft loans seemed to vitiate the need for hard choices. Yet this naturally made these loans a magnet for those proposals that were least justified and most likely to waste resources. This proposal assumes that the U.S. will not authorize the third year of the 10th replenishment of IDA and will not participate in future replenishments.

The multilateral development banks [MDBs], including the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development finance development projects in less developed countries. Recently, several of these institutions have come under sharp attack as the success rate of their projects has declined. Under this proposal, the United States would continue to be a member and stockholder in the banks but would stop supplying new capital to several of these institutions. The banks would still be allowed to use their reflows or loan repayments to make new loans.

Eliminate the United States Information Agency [USIA] Educational and Cultural Exchanges, and Terminate Overseas Non-Military Broadcasting. USIA was created in 1953 during the Cold War to explain and advocate U.S. policies. The USIA oversees television broadcasting services similar to the radio broadcasts of Voice of America. Today, USIA also administers educational and cultural exchange programs. Funding for these exchange programs grew by about 35 percent in real terms between 1991 and 1995. The Cold War is over, and countries such as those in Eastern Europe and the former Soviet Union have ready access to world news (e.g., CNN). This increased communication and private travel has decreased the need for exchange programs. This proposal eliminates funding for USIA exchange programs by 1998.

Radio Free Europe [RFE] and Radio Liberty [RL] broadcast country-specific news to Eastern Europe and the former Soviet Union, respectively. The Voice of America [VOA] oversees radio broadcasts that provide news and U.S.-related information to audiences worldwide. This proposal would eliminate or privatize VOA and RFE/RL by 1998, end all overseas construction of broadcast facilities, and end most overseas broadcasting. Overseas broadcasting played an important role during the Cold War, but has become an expensive anachronism with the advent of global satellite television broadcasting. Likewise, the technology used by Voice of America and WorldNet limits their potential audiences and makes those systems inefficient and expensive. Funding, however, is available for Radio and TV Marti. Finally, it is assumed that USIA will be consolidated within the Department of State.

Reform the Department of State. The Department of State promotes U.S. foreign policy interests abroad. Other, smaller agencies also conduct research and activities relating to foreign affairs. The Department of State budget grew from $1.7 billion in the early 1980s to $2.6 billion in 1995. The increases in funding mainly reflect growth in salaries and related expenses, and rent and acquisition costs of residences and offices. President Clinton's budget proposes future reductions for salaries and expenses, diplomatic and consular programs, protection of foreign missions, emergencies, the Inspector General, the American Institute in Taiwan, and acquisition and maintenance of buildings abroad. Unfortunately, these changes merely accept the status quo, albeit on a slightly smaller scale. This proposal calls for a complete restructuring of foreign policy. For example, it assumes that the Department of State will absorb the Arms Control and Disarmament Agency [ACDA], the

United States Information Agency, and the Agency for International Development. Concerning ACDA, sufficient funding is transferred to the Department of State to monitor existing conventions and treaties. Likewise, small agencies, such as the United States Institute of Peace, the Asia Foundation, the East-West Center, and the North/South Center perform foreign affairs activities that duplicate functions conducted by the Department of State. This proposal assumes that these agencies will be eliminated and that their elimination will result in a more coherent foreign policy. This proposal also assumes a reduction and a reallocation of funding for the National Endowment for Democracy.

Restructure Development and Humanitarian Assistance. The Agency for International Development administers development-related projects and provides technical advice in 109 countries. In many cases, these programs have been wasteful and ineffective. Presidentially appointed commissions have said AID has too many objectives and supports projects in too many countries. Former Secretary of State James A. Baker recently stated that the two rationales for the existence of AID—to stave off communist aggression and to implement government-to-government transfers for large capital projects—no longer exist. The first is obsolete with the end of the Cold War and the second has been discredited as a development model. AID's response has been inadequate. This proposal focuses on more attainable goals in countries that are more likely to benefit from U.S. development assistance by reducing funding by 50 percent of 1995 levels by 1998. In addition, the proposal would eliminate the housing investment guarantee program, which provides hard-currency loans to developing countries for housing. According to CBO, a decade after the recognition of the international debt crisis, that form of assistance "is not helping recipient countries, because housing is an activity that does not generate the foreign exchange those countries need to retire their debt." This proposal also recognizes that the Inter-American Foundation and the African Development Foundation duplicate other development activities. This proposal assumes significant reduction of these foundations. Funds are also provided to both Eastern Europe and the former Soviet Union to assist their transition to democratic societies. Assistance to Eastern Europe has always been viewed as temporary in nature. This proposal recognizes this fact and phases out funding. It is important, however, to provide a degree of equity between Eastern Europe and the former Soviet Union. As such, this proposal assumes that assistance to the former Soviet Union will be phased out. This proposal also assumes reductions in the Peace Corps. Finally, it recognizes the Clinton Administration's proposed reductions in both migration and refugee assistance, as well as the Economic Support Fund.

Reform the Remaining Elements of U.S. Foreign Policy. This proposal assumes that the United States will take additional steps to support alliances and promote international military cooperation. As such, an initiative is assumed that provides military assistance to the three Central European democracies that are most likely to become NATO members. Likewise, this proposal provides additional funds to help limit the impact of international crime and terrorism. It also provides headroom for debt relief.

These initiatives are offset by spending reductions in several areas. This proposal assumes, for example, that the subsidy currently provided for foreign military financing [FMF] loans to Greece and Turkey will be eliminated. The FMF program enables friendly and allied countries to improve their ability to defend themselves by refinancing their acquisition of U.S. military articles, services, and training. The proposal merely continues recent trends.

This proposal assumes reductions in several international organizations. The Committee believes that the Clinton Administration has subordinated U.S. interests in favor of ill-defined goals and policies established by international civil servants and foreign nations. This proposal reasserts the primacy of U.S. interests in our dealings with all international organizations. The Congress has already taken steps to limit our funding for the United Nations and for U.N. peacekeeping activities. This proposal assumes that much more needs to be done. Historically, peacekeeping activities have occurred after the fighting has ended and parties have agreed to the presence of lightly-armed U.N. forces while negotiating an enduring resolution to the conflict. Since 1990, the U.N. has increasingly become involved in non-traditional peace enforcement mission. While U.S. funding has surged with this increased involvement, U.S. public support has declined for these non-traditional U.N. missions. This proposal limits U.S. contributions by the Department of State for international peacekeeping by requiring the U.N. to more carefully evaluate the need for its missions. As a member of the United Nations, the U.S. also contributes to international organizations and programs, such as the U.N. Development Program. This proposal assumes that it is time for these international organizations to deliver on their vague promise of reform. Finally, the United States pays assessed contributions through the Department of State for International Organizations and Conferences, including the United Nations, the International Labor Organization, the United Nations Industrial Development Organization, the International Organization of Vine and Wine, the International Seed Testing Association, and the Bureau of International Expositions. It is assumed that these contributions will be reduced after 1996 by withdrawing from several organizations, since a year's lead time must be provided in order for the U.S. to exercise its option to withdraw. Finally, this proposal recognizes that programs that are currently being funded through the Department of Defense could be funded through the Department of State. When the reorganization of the Department of State is completed, this proposal provides the flexibility to fund these programs in this manner. If, however, those funds are not required, the funds would be available for additional deficit reduction.

FUNCTION 250: SCIENCE, SPACE, AND TECHNOLOGY

This function includes discretionary funding for activities of the National Aeronautic and Space Administration [NASA] and the National Science Foundation [NSF], and high energy and nuclear physics programs of the Department of Energy [DOE].

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget authority	17,151	16,701	16,275	15,696	15,259	14,882	14,878	14,878
Outlays	17,529	16,852	16,570	15,965	15,423	15,028	14,891	14,874
DISCRETIONARY	Changes from 1995 levels							
Research and related activities: [1]								
Budget authority	2,182	−17	48	115	183	254	254	254
Outlays	2,051	−8	15	64	122	185	224	240
Academic research infrastructure: [1]								
Budget authority	250	−150	−150	−150	−150	−150	−150	−150
Outlays	94	−15	−68	−120	−150	−150	−150	−150
Major research equipment: [1]								
Budget authority	126	−56	−71	−100	−126	−126	−126	−126
Outlays	13	−6	−30	−61	−87	−110	−123	−126
Salaries and expenses: [1]								
Budget authority	124	−4	−9	−14	−19	−24	−24	−24
Outlays	123	−3	−8	−13	−18	−23	−24	−24
Headquarters relocation: [1]								
Budget authority	5	0	0	0	0	−5	−5	−5
Outlays	5	0	0	0	0	−5	−5	−5
Inspector general: [1]								
Budget authority	4	0	1	1	1	1	1	1
Outlays	4	0	1	1	1	1	1	1
Education and human resources: [1]								
Budget authority	606	−6	−6	−6	−6	−6	−6	−6
Outlays	503	−1	−4	−5	−6	−6	−6	−6
Human space flight: [2]								
Budget authority	5,515	−55	−281	−657	−855	−1,215	−1,215	−1,215
Outlays	3,474	−35	−194	−502	−755	−1,068	−1,190	−1,215
Science, aeronautics and technology (i): [2]								
Budget authority	5,139	−343	−471	−610	−839	−871	−871	−871
Outlays	2,723	−116	−377	−536	−722	−840	−869	−871
Mission Support (i): [2]								
Budget authority	2,158	146	77	31	−16	−62	−62	−62
Outlays	1,813	122	79	42	−5	−52	−59	−62
Inspector general: [2]								
Budget authority	16	1	1	0	0	0	0	0
Outlays	16	1	1	0	0	0	0	0

COMMITTEE RECOMMENDATION—Continued

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Allow private producers to build and operate cogeneration facilities at Federal civilian installations for NASA								
Budget authority	NA	0	0	−15	−15	−15	−15	−15
Outlays	NA	0	0	−5	−13	−15	−15	−15
Prioritize general science and research activities [DOE]:								
Budget authority	984	16	−34	−84	−84	−84	−84	−84
Outlays	1,388	12	−22	−72	−84	−84	−84	−84

[1] National Science Foundation.
[2] NASA.

Discussion of Policy Assumptions

For the technological revolution to continue, a strong fundamental science base is needed. Therefore, the proposals in Function 250 prioritize basic research policies. For example, National Science Foundation civilian research and related activities, with the exclusion of social, behavioral, and economic studies and the critical technologies institute, can be provided for at their current levels plus 3-percent annual growth. There need to be no cuts to NSF basic research on the physical sciences. Budget realities dictate that basic research be re-emphasized. Much applied research can and should be market-driven and conducted by the private sector.

In certain areas, such as fundamental scientific research and collective risk endeavors, the government does play an important role. Space exploration is one example, and agencies such as the National Aeronautics and Space Administration have been able to make significant technical strides with public funds. Still, even in space, the Budget Committee advocates policies that encourage faster private technology development as risk becomes better understood and more controllable. Finding ways to involve industries in space activities should be a major priority.

DISCRETIONARY SPENDING

Emphasize Basic Science Within the National Science Foundation [NSF]. This proposal assumes that while science and technology must contribute to the immediate fiscal reality, they must also provide for the opportunities that must be developed in the future. In order for the technological revolution to continue, a strong fundamental science is needed. Therefore, this proposal assumes that basic research should be prioritized. For instance, NSF civilian research and related activities, with the exclusion of social, behavioral, and economic studies and the critical technologies institute, can be provided at their current levels plus 3 percent growth. No reductions are assumed to NSF basic research on the physical sciences. Education and Human Resources can be maintained and Academic Research Infrastructure is assumed at President Clinton's requested level.

Emphasize NASA's Core Missions. In certain areas, such as fundamental scientific research and collective risk endeavors, the government does play an important role. This proposal assumes that space exploration is one example where the collective risks are still high, and where agencies such as the National Aeronautics and Space Administration have been able to make great technical strides with public funds. Still, even in outer space, policies are advocated that encourage faster private technology development as risk becomes better understood and more controllable. Finding ways to involve industry in space activities should be a major priority. Consequently, this proposal assumes a $1.5 billion savings by privatizing the space shuttle. Savings on the order of $2.7 billion are also assumed by applying just such a policy to the Mission to Planet Earth Program. This proposal also assumes the overall NASA management and operational reforms referred to in House Report 104–89, part 1. Finally, space is the last frontier to be utilized and developed. In this regard, this proposal provides for the full allocation of resources necessary from the $13.2 billion required to complete the construction and assembly of the international space station basic research laboratory. [Note: The figures above reflect the portion of this provision that occurs in Function 250. A second portion appears in Function 400.]

Allow Private Producers to Build and Operate Cogeneration Facilities at Federal Civilian Installations. The Department of Defense has entered into agreements with private power producers wherein the private investors provided the capital needed to upgrade heating and power producing facilities on Federal installations at no cost to the Federal Government in return for the right to sell excess power and heat off the installation commercially in the civilian market. That reduces the government's cost of energy and the need for the government to upgrade aging power and heating plants. The National Aeronautics and Space Administration, the Department of Veterans Affairs, and other civilian departments could make similar cost-savings arrangements if an amendment were made to Title VIII of the Shared Savings Amendment of the National Energy Conservation Policy Act of 1978. That title currently prohibits this activity at civilian agencies. The figures above reflect only the portion of the savings in Function 250. Another portion of this proposal appears in Function 270.

Prioritize General Science and Research Activities. This account provides funds for high energy physics and nuclear physics. This proposal assumes that basic science is maintained with the inclusion of the Scientific Facilities Utilization Initiative and appropriate decommissioning of outmoded, antiquated facilities. Budget realities dictate that basic research be reemphasized.

FUNCTION 270: ENERGY

This function funds Federal energy activities in four major areas: energy research and supply; energy conservation; emergency preparedness; and energy information policy and regulation. Many Department of Energy [DOE] programs are funded in the function, along with the Department of Agriculture's Rural Electrification Administration, the power program of the Tennessee Valley Authority, and the Nuclear Regulatory Commission.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 270: ENERGY

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget authority	6,342	4,350	3,899	3,570	3,883	3,583	3,572	3,509
Outlays	4,949	4,299	3,153	2,868	3,075	2,681	2,504	2,278
DISCRETIONARY	Changes from 1995 levels							
Allow private producers to build and operate cogeneration facilities at Federal civilian installations for energy:								
Budget authority	NA	0	0	−15	−15	−15	−15	−15
Outlays	NA	0	0	−15	−15	−15	−15	−15
Reduce energy supply research and development:								
Budget authority	3,315	−630	−884	−875	−1,086	−1,168	−1,168	−1,168
Outlays	3,315	−630	−884	−875	−1,086	−1,168	−1,168	−1,168
Departmental administration: [1]								
Budget authority	282	−40	−40	−40	−40	−40	−40	−40
Outlays	282	−40	−40	−40	−40	−40	−40	−40
Reduce energy information administration: [1]								
Budget authority	84	−44	−44	−44	−44	−44	−44	−44
Outlays	84	−44	−44	−44	−44	−44	−44	−44
Reduce the Department of Energy's fossil energy research and development:								
Budget authority	442	−292	−307	−322	−332	−342	−342	−342
Outlays	442	−292	−307	−322	−332	−342	−342	−342
Reduce energy conservation research:								
Budget authority	771	−370	−385	−400	−415	−425	−425	−425
Outlays	771	−370	−385	−400	−415	−425	−425	−425
Reduce uranium supply and enrichment to the President's level:								
Budget authority	63	−21	−33	−33	−33	−33	−33	−33
Outlays	63	−21	−33	−33	−33	−33	−33	−33
Reduce uranium enrichment decontamination and decommissioning to the President's level:								
Budget authority	301	−13	−9	−6	−3	0	0	0
Outlays	301	−13	−9	−6	−3	0	0	0

COMMITTEE RECOMMENDATION—Continued

FUNCTION 270: ENERGY

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Eliminate further funding for the Clean Coal Technology Program:								
Budget authority	NA	0	0	−288	−288	−288	−288	−288
Outlays	NA	0	0	−288	−288	−288	−288	−288
Sell Alaska Power: [2]								
Budget authority	7	5	−7	−7	−7	−7	−7	−7
Outlays	7	5	−7	−7	−7	−7	−7	−7
Sell the Naval Petroleum Reserve: [2]								
Budget authority	187	0	−187	−187	−187	−187	−187	−187
Outlays	187	0	−187	−187	−187	−187	−187	−187
Privatize SEPA: [3]								
Budget authority	22	0	0	−22	−22	−22	−22	−22
Outlays	22	0	0	−22	−22	−22	−22	−22
Privatize WAPA: [3]								
Budget authority	230	0	0	0	−230	−230	−230	−230
Outlays	230	0	0	0	−230	−230	−230	−230
Privatize SWAPA: [3]								
Budget authority	21	0	0	0	−21	−21	−21	−21
Outlays	21	0	0	0	−21	−21	−21	−21
Reform commercial nuclear waste storage policy:								
Budget authority	522	−392	−377	−302	−282	−257	−242	−227
Outlays	451	−392	−377	−302	−282	−257	−242	−227
MANDATORY								
Sell Alaska Power: [4]								
Budget authority	NA	0	11	11	11	11	11	11
Outlays	NA	0	11	11	11	11	11	11
Sell the Naval Petroleum Reserve: [4]								
Budget authority	NA	0	17	433	433	433	433	433
Outlays	NA	0	17	433	433	433	433	433
Privatize SEPA: [5]								
Budget authority	NA	0	−853	0	0	0	0	0
Outlays	NA	0	−853	0	0	0	0	0
Privatize WAPA: [5]								
Budget authority	NA	0	0	−2,687	0	0	0	0
Outlays	NA	0	0	−2,687	0	0	0	0
Privatize SWAPA: [5]								
Budget authority	NA	0	0	−574	0	0	0	0
Outlays	NA	0	0	−574	0	0	0	0
Privatize SEPA: [6]								
Budget authority	NA	0	0	−185	−190	−190	−190	−190
Outlays	NA	0	0	−185	−190	−190	−190	−190
Privatize WAPA: [6]								
Budget authority	NA	0	0	0	−340	−340	−340	−340
Outlays	NA	0	0	0	−340	−340	−340	−340
Privatize SWAPA: [6]								
Budget authority	NA	0	0	0	−105	−105	−105	−105
Outlays	NA	0	0	0	−105	−105	−105	−105
Sell U.S. Enrichment Corporation: [7]								
Budget authority	NA	−302	−255	−335	−335	−335	−335	−335
Outlays	NA	−302	−255	−335	−335	−335	−335	−335

[1] Bureaucracy in DOE.
[2] Elimination of discretionary spending.
[3] Elimination of discretionary spending, Federal dams.
[4] Loss of mandatory receipts.
[5] Asset sale proceeds, Federal dams.
[6] Loss of mandatory receipts, Federal dams.
[7] Elimination of direct spending.

DISCUSSION OF POLICY ASSUMPTIONS

For the purposes of determining what is good fundamental science, and for prioritizing associated research and development, the following six criteria are employed in constructing the provisions below:

Federal Government efforts should focus on long-term, non-commercial R&D with a potential for significant scientific discovery, leaving economic feasibility and commercialization to the marketplace.

Federal funding of R&D for specific processes and technologies should not be carried out beyond the demonstration of technical feasibility. Production should be subject to private investment.

Revolutionary ideas and pioneering capabilities that make possible the impossible should be pursued within controlled, performance-based funding.

The Federal Government should avoid funding research in areas that are receiving or should reasonably expect to receive funding from the private sector, such as evolutionary advances or incremental improvements.

Government-owned laboratories should confine their in-house research to areas in which their technical expertise and facilities have no peer. Other research should be contracted out to industry, private research foundations, and universities.

When specifically applied to the Department of Energy, these guidelines suggest significant reductions in current programs that, in turn, make much of the existing bureaucracy unnecessary and suggest its elimination. As a result of the many industrial product development projects currently funded by the Department being subjected to the "screen" of the criteria above, energy supply R&D could be reduced by $630 million in fiscal year 1996 and by $1.17 billion in fiscal year 2000. On the other hand, examples of research that "pass" the six-point test include the human genome project; an expanding hydrogen energy basic research program; long-term, fundamental engineering of an advanced gas-cooled reactor; and ongoing basic energy sciences research excluding new starts. Likewise, application of the criteria to fossil technologies, the product of mature industries, and conservation projects, predominantly demonstrating cost-avoidance, suggest R&D budgets of about $150 million in fiscal year 1996, falling to $100 million by the turn of the century. The clean coal technology program is suggested for termination.

DISCRETIONARY SPENDING

Allow Private Producers to Build and Operate Cogeneration Facilities at Federal Civilian Installations. The Department of Defense has entered into agreements with private power producers wherein the private investors provided the capital needed to upgrade heating and power producing facilities on Federal installations at no cost to the Federal Government in return for the right to sell excess power and heat off the installation commercially in the civilian market. That reduces the government's cost of energy and the need for the government to upgrade aging power and heating plants. The National Aeronautics and Space Administration, the Department of Veterans Affairs, and other civilian departments could make similar cost-savings arrangement, if an amendment were made to Title VIII of the Shared Savings Amendment of the National Energy Conservation Policy Act of 1978. That title currently prohibits this activity at civilian agencies. The figures above reflect only the portion of the savings in Function 270. Another portion of this proposal appears in Function 250.

Begin Termination of the Department of Energy. The Department of Energy was supposedly created to deal with the energy crisis the country experienced in the 1970's with gasoline lines and natural gas shortages, for example, and the prospect of inevitable energy shortages and ever-increasing energy prices. The crisis, however, was in large part the result of price and allocation controls imposed by the Federal Government. As President Reagan observed, the country suffered not from a shortage of energy but from a surplus of government. Federal oil price and allocation controls made it illegal—literally, a Federal offense—to move gasoline around the country when supplies grew tight. Gasoline lines ended after those controls were dismantled in 1981. Natural gas was in short supply because price controls discouraged production from 1954 through the 1980's. Those shortages also disappeared as price controls were phased out. Standby gasoline rationing plans and mandatory Federal restrictions on hot water use and air conditioning were drafted to mandate conservation. In the 1980's, when the Reagan administration was "neglecting" energy conservation, market-based energy conservation worked quite well. The economy grew one-third and energy use stayed flat. DOE spent more than $55 billion in constant dollars for energy research alone—this is over and above the amounts the Synfuels Corporation spent on fuels that cost several times what conventional fuels cost. It is reasonable to ask whether the country received a full and fair return on that investment. This proposal would begin the orderly termination of the Department of Energy.

—*Reduce Energy Supply Research and Development.*—This proposal reduces near-term technology subsidies in the Department of Energy for energy supply research and development in the areas of solar and renewable energy, biological and environmental research, environmental restoration and waste management, the international fusion program, the neutron source reactor, technology transfer activities, and the Department's precollege education program.

—*Eliminate Bureaucracy in the Department of Energy.*—The Department of Energy should begin critically evaluating its general management activities to prepare itself for an anticipated termination beginning in fiscal year 1996. The Department obligated $448 million in fiscal year 1995 for its departmental administration account. This proposal reflects savings anticipated from timely initiation of phaseout activities. A second component of this proposal calls for reducing, by a significant amount, funding for the Energy Information Aadministration. The EIA provides information for use by the Administration, the Congress, and the general public. Much of what the EIA does is the responsibility of the private sector.

—*Reduce the Department of Energy's Fossil Energy Research and Development.*—The Department of Energy has spent billions of dollars on research and development since the oil crises in 1973 triggered this activity. Returns on this investment have not been cost-effective, particularly for applied R&D, which industry has ample incentive to undertake. Some of this activity is simply corporate welfare for the oil, gas, and utility industries. Much of it duplicates what industry is already doing. As the Congressional Budget Office [CBO] notes, some has gone to fund technologies in which the market has no interest, for example, hundreds of millions of dollars invested in coal-powered magnetohydrodynamics, without any subsequent interest in the product the investment produced.

—*Reduce Energy Conservation Research.*—Energy conservation in the United States has, of course, been a clear success. In the 1980's, for example, the economy grew a third while energy use remained flat due to market-driven energy conservation. Government spending on energy conservation, on the other hand, has been much less successful. Business has incentives to market, and customers to buy, conservation technologies that work well. DOE is left to fund less reliable and less promising technologies. According to the Congressional Budget Office, DOE may:

> * * * be crowding out private-sector firms or, alternatively, conducting R&D that those private sectors are likely to ignore—a common fate of the technologies generated within DOE's national laboratories.

This proposal, however, does not assume reductions for technical and financial assistance programs, such as the Weatherization Assistance Program.

Finally, this proposal would merge the Institutional Conservation grant program in the State Energy Conservation program. It is assumed that individual States would be given the flexibility to prioritize the available funds. In exchange for this flexibility, it is assumed that the resulting program is reduced by 10 percent in the first year and an additional 10 percent in fiscal year 1999.

—*Reduce Uranium Supply and Enrichment Activities and Uranium Enrichment Decontamination and Decommissioning.*—The Uranium Supply and Enrichment Program has several objectives. For example, it is intended to increase confidence that the low-enriched uranium being purchased from Russia has been derived from highly enriched uranium removed from dismantled nuclear weapons. It is also intended to transfer "enrichment-related technologies and form technology partnerships to bolster U.S. industrial competitiveness." The Uranium Enrichment Decontamination and Decommissioning Fund provides for R&D, remedial action, and other costs associated with environmental cleanup activities at sites leased and operated by the United States Enrichment Corporation. President Clinton has recommended small reductions in these accounts. This proposal accepts the President's funding level while reserving the prerogative of altering the policies.

—*Eliminate Further Funding of the Clean Coal Technology Program*.—The Clean Coal Technology Program [CCTP] has been overtaken by changes in the law and incentives in the marketplace. The program was created 11 years ago to help private industry develop commercial technologies to burn coal in environmentally sound ways. Since that time, enactment of the Clean Air Act Amendments of 1990 and the Energy Policy Act of 1992 have given utilities and large industrial coal users clear economic motives for selecting the lowest cost options for reducing emissions from among current practices and new technologies. President Clinton's budget also calls for the termination of this program after completion of the projects now under way.

—*Sell the Alaska Power Administration*. The administration's National Performance Review stated that:

> "[t]he Federal Government should divest its interest in the Alaska Power Administration."

There is no need for Federal involvement in this issue since it deals solely with assets located within one State. This provision accepts the administration's recommendation that APA assets be transferred to the State of Alaska. [Note: Receipts from the asset sale appear in Function 950.]

—*Sell the Naval Petroleum Reserves*. The Energy Department runs a commercial oil field (Elk Hills, near Bakersfield, CA) and a natural gas field (Naval Oil Shale Reserve No. 3 near Rifle, CO). As President Clinton's budget notes:

> "[p]roducing oil and gas is a commercial, not a governmental activity, which is more appropriately performed by the private sector."

These assets would be sold competitively to private industry, resulting in a net gain to the Federal budget and the elimination of governmental activity that is likely to be done more efficiently by private industry. This proposal also assumes that domestic oil producers should be allowed to export oil. Producers in both Alaska and California would receive more money for the oil they produce. The Federal Government would also receive more money for oil produced on Federal land. [Note: Receipts from the asset sale appear in Function 950.]

Convert Government Agencies That Generate Electric Power at Federal Dams Into Private Corporations. The Federal Government generates electricity at Hoover Dam, Grand Coulee Dam, and 129 other smaller dams located throughout the country (except the Northeast). Power produced at the dams is equivalent to what a very large power company might generate, about 6 percent of the economy's annual electricity production. The dams are currently owned and operated by the U.S. Army Corps of Engineers and the Bureau of Reclamation. The electricity is sold by power marketing administrations, five agencies at the Department of Energy, serving specific areas of the country: Alaska, Southeastern, Southwestern, Western area, and Bonneville Power (in the Pacific North-west). This proposal would convert three of these agencies—Southeastern, Southwestern, and Western—into private, tax-paying corporations. (The assets of the Alaska Power Administration are being sold to the State of Alaska. See the separate entry on that proposal above.) The three corporations would buy the powerhouses and related generating equipment at Federal dams plus transmission and other assets now owned by the agencies at the Department of Energy. The corporations in turn would be owned by the customers who, as of the sale date buy the Federal power. These customers are primarily municipal utilities and rural electric cooperatives. The proposal essentially recognizes the *de facto* property rights current customers have in these assets. It is also consistent with the fact that governments throughout the world are getting out of commercial activities such as generating and selling electric power. The proposal is similar to one made in President Clinton's budget. As the administration's budget documents note, "the purpose for the Federal Government developing and conducting these activities has now been achieved." [Note: Receipts from the asset sale appear in Function 950.]

Reform Nuclear Waste Storage. Congress passed the Nuclear Waste Policy Act of 1982 to create a system for safely managing high-level radioactive waste from the Nation's nuclear power plants. The legislation provided for deep geological isolation of spent nuclear fuel and crated the Nuclear Waste Fund to cover the costs of the program. The fund receives a surcharge of one-tenth of a cent per kilowatt-hour from utility customers who use electricity at nuclear power plants. Congress amended the Nuclear Waste Policy Act in 1987 and designated Yucca Mountain, NV, as the only potential repository site for scientific study. Although the Department of Energy has a responsibility to begin accepting spent fuel in 1988, the program is seriously behind schedule. This proposal assumes the expedited construction of an above-ground, interim storage facility at the Nevada Test Site to store spent fuel until a permanent repository is ready. The NRC would have sole licensing authority and currently licenses technology, such as transportation and storage cask systems, are assumed. In addition, it is assumed that the utilities will be responsible for transporting the waste to the facility in accordance with the requirements of the Department of Transportation.

MANDATORY SPENDING

Privatize the United States Enrichment Corporation [USEC].—The USEC is a government corporation that was created in 1992. It produces and markets uranium enrichment services to utilities in the United States and foreign nations. Prior to 1992, these activities were conducted by the Department of Energy. To better compete in the competitive global uranium enrichment market, Congress created USEC with the goal that it be privatized. President Clinton also included this proposal in his budget. This proposal was also included in H.R. 1215, the Tax Fairness and Deficit Reduction Act.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

Agencies with major programs in this function include the following: the Army Corps of Engineers, the Bureau of Reclamation, the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, the Environmental Protection Agency, the National Oceanic and Atmospheric Administration, and the U.S. Geological Survey, the National Park Service, and the Bureau of Mines.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget authority	22,296	19,279	19,102	17,240	18,571	17,373	17,916	17,819
Outlays	21,743	20,190	19,886	17,832	19,105	17,790	18,207	18,075
DISCRETIONARY	Changes from 1995 levels							
National Oceanic and Atmospheric Administration—construction:								
Budget authority	97	−67	−67	−67	−67	−67	−67	−67
Outlays	71	−13	−27	−50	−64	−67	−67	−67
NOAA—operations, research, and facilities:								
Budget authority	1,883	−208	−234	−259	−309	−359	−359	−359
Outlays	1,800	−125	−196	−233	−283	−331	−349	−356
Accept the House Committee on Appropriations' recommendation concerning funding for wastewater treatment:								
Budget authority	2,962	−650	−650	−650	−650	−650	−650	−650
Outlays	2,137	−39	−185	−385	−535	−611	−611	−611
Reform the Bureau of Reclamation:								
Budget authority	718	−70	−70	−70	−70	−70	−70	−70
Outlays	723	−55	−67	−70	−70	−70	−70	−70
Lower Colorado River Basin: [1]								
Budget authority	143	−50	−53	−55	−57	−58	−58	−58
Outlays	165	−42	−52	−54	−56	−58	−58	−58
Eliminate unneeded bureaucracy in the Department of Interior:								
Budget authority	64	−31	−31	−31	−31	−31	−31	−31
Outlays	64	−20	−31	−31	−31	−31	−31	−31
Reduce the Bureau of Mines: [2]								
Budget authority	152	−18	−36	−54	−73	−91	−91	−91
Outlays	158	−12	−29	−47	−65	−84	−84	−84
Office of Surface Mining: [2]								
Budget authority	110	−44	−58	−58	−58	−58	−58	−58
Outlays	110	−44	−58	−58	−58	−58	−58	−58
U.S. Geological Survey: [2]								
Budget authority	571	−114	−114	−114	−114	−114	−114	−114

COMMITTEE RECOMMENDATION—Continued

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Outlays	572	−108	−114	−114	−114	−114	−114	−114
National Park Service, 10-percent operation cut: [3]								
Budget authority	1,078	−108	−108	−108	−108	−108	−108	−108
Outlays	1,047	−84	−99	−107	−108	−108	−108	−108
National Park Service, national recreation and preservation: [3]								
Budget authority	43	−4	−4	−4	−4	−4	−4	−4
Outlays	49	−4	−4	−4	−4	−4	−4	−4
Reduce National Forest System: [3]								
Budget authority	1,328	−101	−134	−134	−134	−134	−134	−134
Outlays	1,248	−84	−126	−133	−134	−134	−134	−134
Reduce forest resources and management research [NFS]: [3]								
Budget authority	71	−33	−37	−37	−37	−37	−37	−37
Outlays	70	−26	−36	−37	−37	−37	−37	−37
Eliminate ecosystems research [NFS]: [3]								
Budget authority	8	−8	−8	−8	−8	−8	−8	−8
Outlays	8	−6	−8	−8	−8	−8	−8	−8
Management of lands and resources: [3]								
Budget authority	597	−111	−111	−111	−111	−111	−111	−111
Outlays	615	−99	−111	−111	−111	−111	−111	−111
Moratorium on land acqusition for the Forest Service:								
Budget authority	65	−65	−65	−65	−65	−65	−65	−65
Outlays	56	−23	−46	−65	−65	−65	−65	−65
U.S. Fish and Wildlife Service, 5-year moratorium on land acquisition:								
Budget authority	67	−67	−67	−67	−67	−67	−67	−67
Outlays	73	−27	−50	−64	−67	−67	−67	−67
National Park Service, 5-year moratorium on land acquisition:								
Budget authority	88	−88	−88	−88	−88	−88	−88	−88
Outlays	115	−26	−57	−75	−88	−88	−88	−88
Bureau of Land Management, 5-year moratorium on land acquisition:								
Budget authority	15	−15	−15	−15	−15	−15	−15	−15
Outlays	12	−2	−10	−15	−15	−15	−15	−15
Forest Service, 50-percent reduction on new facilities construction:								
Budget authority	72	−36	−36	−36	−36	−36	−36	−36
Outlays	116	−20	−29	−36	−36	−36	−36	−36
U.S. Fish and Wildlife Service, 50-percent reduction in new construction:								
Budget authority	54	−27	−27	−27	−27	−27	−27	−27
Outlays	83	−4	−15	−24	−26	−27	−27	−27
National Park Service, 50-percent reduction in new facilities construction:								
Budget authority	185	−93	−93	−93	−93	−93	−93	−93
Outlays	245	−14	−37	−60	−79	−93	−93	−93
BLM construction and access, 50-percent reduction in new construction:								
Budget authority	71	−6	−6	−6	−6	−6	−6	−6
Outlays	9	−2	−5	−6	−6	−6	−6	−6
Construction of trails [NFS]:								
Budget authority	32	−32	−32	−32	−32	−32	−32	−32
Outlays	35	−21	−27	−32	−32	−32	−32	−32
Dissolve the National Biological Service:								
Budget authority	167	−68	−71	−73	−75	−77	−77	−77
Outlays	141	−44	−63	−69	−74	−76	−77	−77

COMMITTEE RECOMMENDATION—Continued

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Corps of Engineers, general investigations:								
Budget authority	910	−172	−215	−22	−42	−62	−62	−62
Outlays	950	−95	−187	−106	−42	−52	−52	−52
Fund Agriculture Conservation Program at President Clinton's requested level:								
Budget authority	100	−50	−52	−53	−54	−55	−55	−55
Outlays	159	−23	−46	−48	−50	−52	−52	−52
Terminate resource conservation and development:								
Budget authority	33	−25	−33	−33	−33	−33	−33	−33
Outlays	21	−12	−29	−33	−33	−33	−33	−33
Terminate river basin surveys and investigations: [4]								
Budget authority	13	−13	−13	−13	−13	−13	−13	−13
Outlays	13	−12	−13	−13	−13	−13	−13	−13
Terminate Great Plains Conservation Program: [4]								
Budget authority	15	−11	−15	−15	−15	−15	−15	−15
Outlays	21	−6	−10	−12	−12	−15	−15	−15
Reduce conservation operations by 10 percent: [4]								
Budget authority	591	−44	−59	−59	−59	−59	−59	−59
Outlays	598	−41	−58	−59	−59	−59	−59	−59
Reduce watershed and flood prevention planning by 10 percent: [4]								
Budget authority	70	−7	−7	−7	−7	−7	−7	−7
Outlays	70	−5	−6	−7	−7	−7	−7	−7
Terminate forestry incentives plan: [4]								
Budget authority	70	−5	−7	−6	−6	−6	−6	−6
Outlays	70	−5	−6	−7	−7	−7	−7	−7
Terminate Colorado Basin Salinity Control Program: [4]								
Budget authority	5	−5	−5	−5	−5	−5	−5	−5
Outlays	9	−2	−5	−5	−5	−5	−5	−5
Terminate the Environmental Protection Agency's environmental technology initiative:								
Budget authority	65	−65	−65	−65	−65	−65	−65	−65
Outlays	65	−23	−55	−65	−65	−65	−65	−65
Fund research, development, abatement, control, and compliance at the levels recommended by the House Committee on Appropriations:								
Budget authority	1,698	−20	−20	−20	−20	−20	−20	−20
Outlays	1,716	−7	−16	−20	−20	−20	−20	−20
Apply a cost-benefit test to Superfund projects:								
Budget authority	1,431	−150	−150	−150	−150	−150	−150	−150
Outlays	1,477	−38	−90	−120	−135	−143	−148	−149
NPS, eliminate funding for Urban Park and Recreation Fund: [4]								
Budget authority	8	−8	−8	−8	−8	−8	−8	−8
Outlays	8	−2	−4	−6	−8	−8	−8	−8
Eliminate international forestry [NFS]: [4]								
Budget authority	7	−5	−7	−7	−7	−7	−7	−7
Outlays	7	−4	−7	−7	−7	−7	−7	−7
MANDATORY								
Terminate helium production: [2]								
Budget authority	0	−4	−7	−8	−8	−8	−8	−8
Outlays	−8	−4	−7	−8	−8	−8	−8	−8
Reduce hardrock mining: [2]								
Budget authority	NA	NA	NA	NA	NA	NA	NA	NA

COMMITTEE RECOMMENDATION—Continued

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Outlays	NA	NA	NA	NA	NA	NA	NA	NA
Open Arctic National Wildlife Refuge for Exploration:								
Budget authority	NA	0	0	−800	−1	−450	0	0
Outlays	NA	0	0	−800	−1	−450	0	0

[1] Bureau of Reclamation Reform.
[2] Mineral-related agencies.
[3] Management agencies of Agriculture and Interior.
[4] Conservation operation in Department of Agriculture.

Discussion of Policy Assumptions

DISCRETIONARY SPENDING

Refocus the National Oceanic and Atmospheric Administration on its Core Mission as Part of Terminating the Department of Commerce. NOAA, which is in the Department of Commerce, consists of the National Ocean Service, the National Marine Fisheries Service, the Office of Oceanic and Atmospheric Research, National Environmental Satellite Data and Information Service, and the National Weather Service. NOAA also has an account that funds the construction, repair, and modification of new facilities and additions to existing facilities. Over the past several years, funding for NOAA has grown rapidly. In part, this expansion has been fueled by congressional add-ons, regional giant programs, and inefficient weather service office restructuring. The administration's budget calls for privatizing the portions of the National Weather Service that support specific constituent groups. This proposal would eliminate all unjustified Federal activities, like the NOAA Corps, fund the Operations, Research and Facilities account at less than the fiscal year 1992 level by fiscal year 2000, but accept the funding level requested by the administration for construction.

Accept the House Committee on Appropriations Recommendation Concerning Funding for Wastewater Treatment. The Clean Water Act [CWA] and the Safe Drinking Water Act prescribe performance requirements for municipal wastewater and drinking water systems. The Clean Water Act also provides financial assistance so that communities can construct wastewater treatment plants that comply with the provisions in the act. Construction grants for wastewater treatment plants were first authorized in 1972 under the Title II Categorical Grant Program of the CWA. The EPA administered the Construction Grant Program by providing assistance directly to the municipalities for wastewater treatment projects. Since 1972, the Congress has appropriated about $65 billion to assist localities in complying with the CWA. The Clean Water Act, as amended in 1987, phased out Title II grants and authorized a new grant program under Title VI to support State revolving funds [SRF's] for water pollution control. For each dollar of Title VI grant money that a State receives, it must contribute 20 cents to its SRF. States then use the combined funds to make low-interest loans to communities to construct or upgrade municipal treatment facilities. Local agencies that borrow funds from the SRF must repay them, thereby creating a revolving source of capital. The House Committee on Appropriations recently rescinded $1.3 billion that had been appropriated for fiscal years 1994 and 1995. This proposal accepts their recommendation and funds wastewater infrastructure/State revolving funds at $650 million below the fiscal year 1995 level.

Reform the Bureau of Reclamation. The Bureau of Reclamation is the largest supplier and manager of water in the 17 Western States, delivering approximately 30 million acre/feet of water annually to 28 million people for agricultural, municipal, industrial, and domestic uses. It is also the sixth largest producer of electrical power in the Western States, generating more than $500 million in annual power revenues. President Clinton has proposed reductions in many of the accounts associated with the Bureau of Reclamation. This proposal accepts the President's funding level for several of these accounts, including the Lower Colorado River Basin Development Fund. It also assumes that the Bureau of Reclamation should seek opportunities to reduce its operation and maintenance program by looking for opportunities to turn over more responsibilities to the beneficiaries of its projects.

Eliminate Unneeded Bureaucracy in the Department of the Interior. This proposal recommends significant changes in the Office of the Secretary and construction management. For example, it assumes that the layer of management associated with the six Assistant Secretaries will be eliminated. It calls for a 50-percent reduction in the Office of the Secretary; a 10-percent reduction in construction management; and a 15-percent reduction in the Office of the Solicitor.

Restructure the Department of the Interior's Minerals-Related Agencies. Last year the Republican Budget Initiative proposed eliminating three entities in the Department of the Interior: the Bureau of Mines, the U.S. Geological Survey, and the Minerals Management Service. At this time, this proposal calls for significant reforms within these agencies, but not their outright elimination. The Bureau of Mines disseminates information and conducts research and development relating to mining activity and the use of minerals. This proposal would reduce USBM funding for near-term development of specific products and technologies. It also calls for the discontinuation of helium production, and reforms the collection of royalties associated with mining on public lands. The U.S. Geological Survey conducts research and provides basic scientific and information concerning natural hazards and environmental issues, as well as water, land, and mineral resources. The USGS has three main divisions: the National Mapping Division [NMD], the Water Resources Division [WRD] and the Geologic Division. This proposal assumes that the NMD will aggressively price its products for additional revenue to the Treasury. It also assumes greater contracting out to the private sector, appropriate data gathering, and map and digital data production. Finally, it calls for consolidation of overlapping mapping efforts. Within the WRD, savings are first assumed in the Federal program for such subprograms as global change hydrology and core program hydrology research. Savings could also be achieved by increasing the State and local matching formula for the Federal/State Cooperative Program. For the Geologic Division, this proposal assumes that geologic hazards surveys (e.g., earthquakes and volcanos) and the National Geologic Mapping Program will be funded at the fiscal year 1995 level. Savings are achieved through reductions in the Global Change and Climate History Program, the Marine and Coastal Geologic Survey, and the Energy Resource Survey. Finally, the Office of Surface Mining Reclamation and Environment would be restructured consistent with a 66-percent reduction in the Federal regulatory programs and a 30-percent reduction in general administration.

Reform the Management Agencies in the Departments of Agriculture and the Interior. The Department of the Interior is the accumulation of 200 years of public land history. Many features of the Department no longer make sense. Reforms are being developed concerning public lands, BLM management, and the operation of the national parks, which should produce discretionary savings. In anticipation of these reforms, it is assumed that the operating budgets for these Bureaus can be reduced by reducing or eliminating low-priority items, such as the automated lands and minerals record system, bureau-wide fixed costs, information systems operations, the Adopt-a-Horse Program, and administrative support. Similar reforms are required at the Forest Service to improve forest management efficiency. The Forest Service currently has about 21,000 full-time equivalents. A study has shown that State-managed forests adjacent to Federally managed forests are managed at a profit, while Federal forests are not. This occurs because the Federal Government's costs exceed those of the States'. In addition, there is concern about their activities concerning "ecosystem management" and "ecosystem research." This proposal would reduce the operating budget of the Forest System by reducing low-priority management programs and general administration and precluding funding for ecosystem planning. It also would eliminate ecosystems research and reduce forest resources and management research by 50 percent, but fully fund recycling and wood uses. [Please note: A payment-in-lieu-of-taxes component of this proposal is reflected in Function 800.]

Impose a Moratorium on Land Purchases. The Departments of Agriculture and Interior currently spend about $200 million per year for land that is generally used to create or expand designated recreation and conservation areas. Most Federal lands are managed by the National Park Service, the Forest Service, or the Bureau of Land Management. In many instances, those agencies find it difficult to maintain and finance operations on their existing landholding. Land management agencies should improve their stewardship of lands they already own before facing added management responsibilities.

Reduce Funding for the Construction of Facilities and Trails Within the Departments of Agriculture and Interior. Construction funding has two budgetary effects. The first involves the initial cost of the project; the second involves the long-term maintenance of any new facility. In the case of a new visitor center, for example, new construction sometimes increases operational costs if the new facility must be staffed. Under this proposal, construction of facilities within the Departments of Interior and Agriculture would be reduced by 50 percent, and all new construction would be limited to life/safety projects or protection of critical historical resources. Also, no funding would be provided to the National Forest Service for the construction of trails.

Dissolve the National Biological Service (NBS). This proposal would abolish the NBS, which has not been authorized. The essential funding and staffing for research and the cooperative research units that were removed from the various Department of the Interior land management agencies, would be returned. Funding for inventory and monitoring, information transfer, facility operation and maintenance, administration, and construction would be eliminated.

Reduce Funding for the U.S. Army Corps of Engineers. The Corps of Engineers currently carries out nine missions related to civil works. This proposal recognizes the fact that a continued Federal role in several of the functions related to these missions may no longer be justified, and the termination, transfer, privatization, or streamlining of certain functions may be necessary.

Fund the Agricultural Conservation Program at President Clinton's Requested Level. The Agricultural Conservation Program's objective is to conserve soil and water resources. The program is administered by county committees, with review and approval by state committees and the Secretary. The administration proposes reducing funds for this program by 50 percent in fiscal year 1996, with added reduction in the out-years. This proposal accepts the administration's funding level but reserves the prerogative of altering the policies.

Prioritize Conservation Operations Within the Department of Agriculture. Conservation programs are conducted through a number of accounts within the Natural Resources Conservation Service. Technical assistance is provided for conservation operations through 2,955 conservation districts to land users. In addition, the Department of Agriculture cooperates with other Federal, State, and local agencies to develop coordinated water and land resources programs and in conducting surveys and investigations of watersheds. Furthermore, cost-share assistance is provided to participating landowners in the Great Plains area in the development and installation of long-term conservation plans.

Finally, assistance is provided to bring private, nonindustrial forest land under intensified management and to ensure an adequate supply of timber products. This proposal terminates low-priority conservation programs. It notes that President Clinton proposed reductions in River Basin Surveys and Investigations, Watershed Planning, Resource Conservation and Development, Great Plains Conservation Program, Forestry Incentives Program, and the Colorado River Basin Salinity Control Program. It also calls for achieving greater efficiencies in higher-priority programs.

Terminate the Environmental Protection Agency's Environmental Technology Initiative [ETI]. The objective of the ETI is to develop and employ environmental technologies to enhance the environmental security and the economic standing of the United States in the world marketplace. This proposal would terminate all funding for the ETI. Whereas the Federal Government has a role in basic research, it should not be engaged in applied research and product development. Furthermore, considerable evidence exists that the Federal Government is not capable of picking projects with the most potential for technological and commercial success.

Fund Research and Development and Abatement, Control, and Compliance at the Levels Recommended by the House Committee on Appropriations. The Appropriations Committee has proposed to rescind fiscal year 1995 funds from the Environmental Protection Agency in these two accounts. The President also proposed rescinding a portion of these funds. With regard to abatement, control, and compliance, the savings result from the termination of the Clean Lakes Program and procurement savings. This proposal assumes that these accounts are funded through fiscal year 2000 at their post-rescission funding level.

Apply a Cost-Benefit Test to Superfund Projects. One method of reducing the huge costs of hazardous waste cleanup is to change the mix of methods used to protect health and the environment at Superfund sites. The present statutory preference for permanent treatment technologies could be dropped in favor of an emphasis on institutional controls—such as deed and access restrictions, monitoring, and provision of alternative water supplies—and containment methods (including caps, slurry walls, and surface water diversion). A University of Tennessee study estimated that a judicious shift toward these interim measures could reduce remediation costs by 40 percent, without sacrificing health or environmental protection. This proposal suggests that it is wasteful to spend more on Superfund cleanups than is necessary to protect health and the environment, and that use of more permanent remedies—such as incineration, bioremediation, and vitrification—can be deferred until land-use needs are clearer and treatment methodologies are more developed.

Eliminate the Pennsylvania Avenue Development Corporation and Other Low-Priority Programs in the Departments of Agriculture and the Interior. This proposal would terminate several programs, including the Urban Park and Recreation [UPAR] Fund, international forestry, the Pennsylvania Avenue Development Corporation, the Woodrow Wilson International Center, the National Capital Arts and Cultural Affairs, the Wildlife Conservation and Appreciation Fund, and the African Elephant Conservation Fund. UPAR provides matching grants to cities for the renovation of urban parks and recreation facilities. Under international forestry, technical assistance is provided outside the United States. The Woodrow Wilson International Center for Scholars facilitates scholarship of the highest quality in the social sciences and humanities. The National Capital Arts and Cultural Affairs account is funded under the Commission of Fine Arts; it makes payments for general operating supports to Washington, DC, arts and other cultural organizations. The Wildlife Conservation and Appreciation Fund provides grants to States for conservation and appreciation projects intended to conserve the entire array of diverse fish and wildlife species. Rewards are paid for information leading to a civil penalty or criminal conviction under the African Elephant Conservation Act. Given the size of the Federal deficit, it is important to eliminate or substantially reduce low-priority programs. The figures above reflect the savings from the UPAR Fund and International Forestry in Function 300.

MANDATORY SPENDING

Open ANWR for Exploration. This proposal assumes that a small portion of the Arctic National Wildlife Refuge [ANWR] in Alaska will be leased for oil and gas exploration, development, and production. ANWR is the most prospective oil and gas province in North America, and is adjacent to the hugely successful Prudhoe Bay field, currently supplying 20 percent of domestic oil. Leasing is overwhelmingly supported by residents of the State of Alaska and the Native people who live in the area proposed for leasing. Leasing could provide enormous revenues to the Treasury, jobs to the U.S. economy, and a valuable domestic energy resource to offset the current transfer of U.S. wealth to other nations. This portion of the provision reflects gross receipts. Half of those receipts are to be paid to the State of Alaska. These payments appear in Function 800.

FUNCTION 350: AGRICULTURE

This function is composed of the Federal agriculture programs including farm price support programs and funding for the Department of Agriculture.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 350: AGRICULTURE

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget authority	13,964	13,041	12,790	11,582	11,398	10,192	8,107	8,102
Outlays	12,710	1,817	11,455	10,417	10,147	8,999	7,051	7,046
DISCRETIONARY	Changes from 1995 levels							
Reform Foreign Agriculture Service:								
Budget authority	109	−13	−13	−13	−13	−13	−13	−13
Outlays	109	−10	−13	−13	−13	−13	−13	−13
Eliminate funds for USDA's Strategic Space Plan:								
Budget authority	28	−19	−26	−26	−26	−26	−26	−26
Outlays	28	−7	−20	−25	−26	−26	−26	−26
Agricultural Research Service [ARS]: [1]								
Budget authority	712	−69	−69	−69	−69	−69	−69	−69
Outlays	704	−54	−65	−69	−69	−69	−69	−69
ARS building and facilities: [1]								
Budget authority	44	−15	−17	−20	−22	−24	−24	−24
Outlays	54	−2	−10	−14	−19	−21	−23	−24
Extension Service: [1]								
Budget authority	439	−74	−74	−74	−74	−74	−74	−74
Outlays	436	−45	−74	−74	−74	−74	−74	−74
Cooperative State Research Service: [1]								
Budget authority	433	−76	−76	−76	−76	−76	−76	−76
Outlays	438	−39	−61	−76	−76	−76	−76	−76
CSRS buildings and facilities: [1]								
Budget authority	63	−60	−63	−63	−63	−63	−63	−63
Outlays	55	−3	−18	−34	−50	−62	−62	−62
Economic Research Service: [1]								
Budget authority	54	−20	−27	−27	−27	−27	−27	−27
Outlays	54	−16	−24	−26	−27	−27	−27	−27
Reform Farmers Home Administration:								
Budget authority	396	−57	−57	−57	−57	−57	−57	−57
Outlays	394	−53	−57	−57	−57	−57	−57	−57
Terminate low-priority programs in the Department of Agriculture:								
Budget authority	6	−6	−6	−6	−6	−6	−6	−6
Outlays	7	−6	−6	−6	−6	−6	−6	−6
Reduce funding for the National Agriculture Statistics Service:								
Budget authority	81	−12	−16	−16	−16	−16	−16	−16
Outlays	80	−11	−16	−16	−16	−16	−16	−16

COMMITTEE RECOMMENDATION—Continued

FUNCTION 350: AGRICULTURE

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Eliminate unnecessary bureaucracy in the Department of Agriculture:								
Budget authority	55	−12	−16	−16	−16	−16	−16	−16
Outlays	54	−11	−16	−16	−16	−16	−16	−16
MANDATORY								
Reform agricultural production programs:								
Budget authority	7,944	−450	−548	−1,676	−1,888	−3,097	−4,256	−4,256
Outlays	7,944	−450	−548	−1,676	−1,888	−3,097	−4,256	−4,256

[1] Agriculture Research and Extension.

Discussion of Policy Assumptions

DISCRETIONARY PROGRAMS

Reform the Foreign Agricultural Service. This proposal would involve changes to the Foreign Agricultural Service and General Sales Manager Program. The Foreign Agricultural Service maintains attaches at 63 foreign posts to assist overseas development of markets for U.S. farm commodities. Annually, the Service files about 5,000 reports. This proposal calls for a 30-percent reduction in such attaches and a 10-percent reduction in all other activities, except the general sales manager.

Eliminate Funds for USDA's Strategic Space Plan. The Department of Agriculture is spending almost $29 million this year to conduct a strategic space plan, and is requesting almost that amount for fiscal year 1996. This proposal would terminate all future funding for this plan.

Refocus Federal Support for Agricultural Research and Extension Activities. The Department of Agriculture conducts and supports agricultural research and education. According to the Congressional Budget Office, research and grants provided by the Agricultural Research Service [ARS], the Cooperative State Research, Education, and Extension Service [CSREES], and the Economic Research Service [ERS] may be replacing funding from the private sector. Requiring the government to refocus the research would permit the private sector to finance more of its own research. This proposal would reduce funding by the ARS by 10 percent; it would accept the administration's funding request for ARS buildings and facilities; it would eliminate all special research grants within the CSREES, thereby requiring all grants to be awarded competitively; it would accept the administration's recommendation to eliminate funding for CSREES buildings and facilities—the CSREES buildings and facilities account funds construction of buildings at universities performing research in support of agriculture—and it would greatly restructure the Extension Service. No cuts, however, are assumed for the 4–H program. Finally, the proposal would significantly reduce funding for the ERS, which produces economic and other social science research and analysis for public and private decisions on agriculture, food, natural resources, and rural America.

Reform Farmers Home Administration. The Farmers Home Administration lends money directly to new farmers or farmers with limited means who cannot obtain loans elsewhere for purchasing land or materials to operate a farm. Nearly 70 percent of the money spent on direct loans, however, is for loans to so-called limited resource borrowers. This proposal would convert all direct loans to loan guarantees through the private sector and reduce personnel costs consistent with this conversion. According to the Congressional Budget Office, Congress and the FmHA:

> * * * intended direct loans to be available only temporarily—until those farmers could improve their operations and qualify for commercial credit. But evidence reported by the General Accounting Office suggests that the "graduation rate" of current borrowers from direct to guaranteed loans is low, in part because incentives are lacking to encourage borrowers of FmHA money to shift from below-cost loans to guaranteed loans.

Terminate Low-Priority Programs in the Department of Agriculture. The Department of Agriculture spends $6 million annually funding State mediation grants and outreach for socially disadvantaged farmers. State mediation grants are made to States which have been certified by the Farm Service Agency as having an agricultural loan mediation program. This proposal would terminate future funding for these accounts. At a time when government needs to be downsized, these are low priorities.

Reduce Funding for the National Agricultural Statistics Service. The service provides estimates of acreage, yield, and production of crops, stocks, and value of farm commodities, and numbers of inventory values of livestock items. Data on approximately 120 crops and 45 livestock products are covered in nearly 400 reports issued each year. This proposal would reduce funding for the Service by 20 percent.

Eliminate Unnecessary Bureaucracy in the Department of Agriculture. This proposal reduces funding to administer the Department of Agriculture. Specifically, funding is reduced for the Office of the Secretary, various programs in executive operations, the Chief Financial Officer, departmental administration, the Office of the General Counsel, and the Office of Public Affairs.

MANDATORY SPENDING

Reform Agricultural Production Programs. This proposal assumes that mandatory agricultural spending, other than food and nutrition programs, will be reduced by $9 billion relative to currently anticipated levels from fiscal year 1996 through fiscal year 2000, with $1 billion in reductions required in fiscal year 1996. Farmers, however, will benefit greatly from other provisions in this budget, including regulatory relief, lower capital gains taxes, renewed attention to property rights, and lower interest rates. These programmatic changes, which reflect reforms in agriculture as it moves to a more market-oriented economy, will reduce spending below what was spent for fiscal year 1995. In fact, the agricultural program is one of the few significant mandatory programs for which CBO anticipates that spending will decline. Other mandatory programs under the jurisdiction of the House Committee on Agriculture include the Conservation Reserve Program [Function 302], the Wetlands Reserve Program [Function 302], export support programs, and crop insurance.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

This function is composed of the government commerce and technology programs, including activities within the Departments of Agriculture, Commerce, and Housing and Urban Development. It also includes agencies such as the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, the Securities and Exchange Commission, the U.S. Postal Service, and the Small Business Administration.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

HOUSE BUDGET COMMITTEE POLICY ASSUMPTIONS

370 COMMERCE AND HOUSING CREDIT:								
Budget Authority	8.9	6.4	10.9	4.0	5.1	1.7	1.3	1.0
Outlays	−13.5	−6.9	−3.4	−6.1	−3.1	−3.6	−2.5	−2.6

FISCAL YEAR 1996 BUDGET RESOLUTION

[In millions of dollars]

Budget assumptions	Total FY 1995 spending level		Change from the FY 1995 level (except where otherwise noted)													
			1996		1997		1998		1999		2000		2001		2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Reduce the Budget of the Export Administration	41	38	−10	−8	−10	−9	−10	−10	−10	−10	−10	−10	−10	−10	−10	−10
Scientific and Technical Research	259	265	13	10	21	19	30	28	38	36	47	45	56	54	66	63
Technical Industrial Technology Services	525	181	−525	−95	−525	−252	−525	−436	−525	−525	−525	−525	−525	−525	−525	−525
Construction of Research Facilities	65	12	2	0	4	0	6	2	9	3	11	5	13	8	15	10
NOAA—Fleet Modernization, Shipbuilding and Conversion	23	30	−23	−3	−23	−8	−23	−14	−23	−18	−23	−21	−23	−23	−23	−23
NOAA—Promote and Develop Fishery Products and Research Pertaining to American Fisheries	9	−40	−12	−7	−13	−11	−14	−13	−15	−14	−16	−15	−17	−16	−18	−17
Eliminate the US Travel and Tourism Administration (USTTA) and the Trade Promotion Activities of the International Trade Administration (ITA) and Transfer Remaining Critical Trade Functions to More Appropriate Agencies	283	259	−163	−163	−209	−209	−232	−232	−232	−232	−232	−232	−232	−232	−232	−232
Make Patent and Trademark Office Self-Funding and Independent	82	92	0	0	0	0	0	0	−82	−23	−82	−53	−82	−82	−82	−82
Eliminate Salaries and Expenses for the Technology Administration	10	9	−7	−6	−10	−10	−10	−10	−10	−10	−10	−10	−10	−10	−10	−10
Eliminate the Small Business Administration's Tree Planting Program	15	15	−15	−15	−15	−15	−15	−15	−15	−15	−15	−15	−15	−15	−15	−15
Make the Small Business Administration's 7(a) Loan Guarantee Program Self-Financing	247	238	−247	−160	−247	−234	−247	−246	−247	−246	−247	−246	−247	−246	−247	−246
Encourage Private Financing of the Small Business Development Centers	78	78	−78	−57	−78	−74	−78	−78	−78	−78	−78	−78	−78	−78	−78	−78
Eliminate the Minority Business Development Administration within the Department of Commerce	43	42	−33	−16	−44	−36	−44	−43	−44	−44	−44	−44	−44	−44	−44	−44
GI/SRI Administrative Cost Savings	197	188	−65	−62	−65	−65	−65	−65	−65	−65	−65	−65	−65	−130	−130	−130
GI/SRI Subsidy Cost Savings	188	185	−97	−80	−102	−102	−100	−100	−100	−100	−100	−100	−100	−100	−100	−100
Rural Housing Insurance Fund	363	528	−116	−14	−116	−92	−116	−107	−116	−112	−116	−114	−116	−114	−116	−114
Patent and Trademark User Fees	n/a	n/a	0	0	0	0	0	0	119	119	119	119	119	119	119	119
Repeal Transitional Expenses of the Post Office	38	38	0	0	−20	−20	−38	−38	−38	−38	−38	−38	−39	−39	−39	−39
Increase FCC User Fees	n/a	n/a	72	72	75	75	78	78	81	81	84	84	87	87	90	90

Reform FHA Multifamily Property Disposition	n/a	n/a	−210	−210	0	0	0	0	0	0	0	0	0	0	0	0
Revised "Mark to Market" Option to Prevent Future FHA Costs Associated with Project-Based Subsidy Program ...	13	13	100	100	2,302	2,302	1,613	1,613	1,335	1,335	1,325	1,325	529	529	232	232

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SPENDING

Reduce Fleet Modernization and Fishery Products Research in NOAA. The first two provisions, applying to the National Oceanic and Atmospheric Administration, are part of the NOAA restructuring proposal described in Function 300.

Terminate the Department of Commerce. The Department of Commerce is an unwieldy conglomeration of marginally related programs, nearly all of which duplicate those performed elsewhere in the Federal Government. According to the General Accounting Office, Commerce shares its missions with at least 71 Federal departments, agencies, and offices. Its bureaucracy is bloated, its infrastructure is in disrepair, and more than 60 percent of its resources are dedicated to activities completely unrelated to its mission. Former Commerce Department officials recently testified that the few unique functions contained in Commerce suffer under the multiple tiers of political appointees and bureaucracy. This proposal terminates Commerce programs that are either unnecessary or redundant; consolidates functions that belong elsewhere in the government; and makes independent those programs that should function in a more businesslike manner.

—*Eliminate Industrial Technology Services and Programs in the National Telecommunications and Information Administration Engaged in Industrial Policy.* Although the Federal Government has a role in basic research, it should not be engaged in applied research. Furthermore, considerable evidence exists that the Federal Government is not capable of picking projects with the greatest potential for technological and commercial success. Therefore, this proposal would terminate funding in the Department of Commerce for Industrial Technology Services, including the so-called Advanced Technology Program and phase out the manufacturing extension partnership. It also terminates funding for the following four accounts: information infrastructure grants; public broadcasting facilities; planning and construction; and the endowment for children's educational television.

—*Eliminate the U.S. Travel and Tourism Administration [USTTA] and the Trade Promotion Activities of the International Trade Administration [ITA] and Transfer Remaining Critical Trade Functions to More Appropriate Agencies.* The U.S. Travel and Tourism Administration promotes the United States as a tourist destination for foreign travelers. The International Trade Administration investigates antidumping, develops international economic policy, provides marketing services, and counsels U.S. business on exporting. The USTTA's and ITA's trade promotion activities effectively subsidize the industries they attempt to promote. According to CBO: –

> [a]ll increases in exports and tourist expenditures resulting from the ITA's and USTTA's activities are completely offset by some mix of reduced exports of other industries and increased imports.

Hence, other U.S. firms are hurt by the export and tourism promotion activities of these agencies.

Antidumping and countervailing duty investigations could be transferred to the International Trade Commission which is already responsible for determining whether industries are harmed by antidumping and countervailing duties; all functions of the Office of Textile and Apparel within the International Trade Administration are duplicated in the International Trade Commission, the Customs Service, USTR, State Department or the Labor Department, and should be eliminated.

Reduce the Budget of the Export Administration and Transfer Critical Functions. The Export Administration [EA] of the Department of Commerce enforces U.S. export laws to promote national security and foreign policy objectives. Export enforcement functions could be transferred to the Customs Service which already takes the lead in governmentwide export enforcement; and export licensing could be transferred to the Department of State, which—along with the Departments of Energy and Defense—already shares export licensing functions. In disputed licensing cases, USTR should advise as a probusiness voice.

Consolidate the Bureau of the Census and the Bureau of Economic Analysis Into an Independent U.S. Statistical Administration. Make Patent and Trademark Office self-funding and independent. U.S. Government statistics are collected and analyzed by at least 25 Federal offices, departments, and agencies; each constructs indices differently, uses different time periods and different base years. There is no central organization setting standards for quality or consistency. Consequently, many statistics compiled by the U.S. Government are suspect. This proposal calls for consolidating many of the statistical organizations in the U.S. Government with the Census Bureau to achieve qualitative improvements and efficiencies. Because of the difficulty in scoring the sweeping consolidation this proposal would require, no savings are assumed.

Eliminate Salaries and Expenses for the Technology Administration. The Technology Administration is a redundant bureaucracy tasked with overseeing the National Institute of Standards and Technology [NIST] and the National Technical Information Service [NTIS]. Its "leadership" role also duplicates the Office of Science and Technology Policy.

Eliminate SBA's Tree Planting Program. The tree planting program in the Small Business Administration provides Federal funds for contracts between States and small business to plant trees on public lands controlled by State or local governments. The Federal Government will fund up to 75 percent of the cost of such contracts. Tree planting on State and locally owned land serve local interests and should be funded by those governments.

Make SBA 7(a) Loan Guarantee Program Self-Financing. This provision requires charging lenders and borrowers fees to reduce the Federal subsidy in guaranteeing loans to small businesses. This will allow the SBA to provide more small business with loan guarantees at a lower cost to the Federal Government.

Encourage Private Financing of Small Business Development Centers. Small Business Development Centers provide management counseling to existing and prospective small business owners. Current Federal funding accounts for 25 percent to 50 percent of SBDC funding. By contracting out, tying funding to locally funded economic development programs, leveraging all available resources, and charging the clients a small fee, SBDC's can thrive without Federal assistance. This proposal would phase-out the Federal share of the program, but allow State and private capital to fund existing SBDC's.

Eliminate Duplicative Small and Minority Business Programs and Consolidate Functions Within the Small Business Administration. This proposal calls for eliminating funding for the Department of Transportation's Minority Business Resource Center Program, and the Department of Commerce's Minority Business Development Administration, and recommends that clients of these services utilize Small Business Administration programs. Both of these programs duplicate functions already performed by the Small Business Administration. [Note: The Department of Transportation portion of this proposal is reflected in Function 400.]

End FHA Multifamily Project Mortgage Insurance. The Federal Government has insured as much as $34 billion in multifamily project mortgages. By ending oversubsidization, many if not most of these projects will require partial or total claims payment by the FHA. This amounts to many billions of dollars over the next 7 years. In addition, multifamily projects that have been insured by the FHA have not been self-financing as has the single family portfolio. This program should be eliminated due to the liability the government incurs and the money it loses. Savings accrue from eliminating subsidy costs, administrative streamlining, and section 8 property disposition costs.

MANDATORY SPENDING

Repeal Transitional Expenses of the Post Office. Congress appropriated money for transitional expenses when Postal Service reorganization occurred in 1971. This proposal would discontinue the appropriations for transitional expenses: 24 years after reorganization, the Post Office no longer needs transitional funds.

Make Permanent the Expiring Patent and Trademark Fee Included in the Omnibus Budget Reconciliation Acts of 1990 and 1993. The proposal extends the patent and trademark fees charged to applicants for copyright protection.

Reform FHA Multifamily Property Disposition. The Federal Government can achieve savings by reforming the rules under which HUD may sell the property that has come into its possession through mortgage default. At present, a foreclosed property may stay in the FHA inventory for years. During the time it is vacant, the property may be vandalized, or used for drug dealing or other criminal activities, or it may generally contribute to the degradation of urban neighborhoods. By reforming the disposition procedures, the Federal Government can achieve budget savings and protect surrounding neighborhoods from deleterious effects generated by longstanding vacant houses. [A second component of this proposal, concerning section 8 property, appears in Function 600.]

Revised "Mark to Market" Option to Prevent Future FHA Costs Associated With Project Based Subsidy Program. Currently, millions of low-income Americans live in 1.6 million federally subsidized privately owned apartments. As long as they live in the subsidized unit, their contribution to the rent is no more than 30 percent of their income. The Federal Government pays the rest. As many as 75 percent of these projects charge the tenants and Federal Government more than the surrounding market rents. In some cases the rent is twice what an unassisted unit across the street might charge. In addition, 53 percent of these projects have mortgages insured by the Federal Government through the Federal Housing Administration. Many of these projects have mortgages far higher than the real market value of the property which contributes to the high rents. Some are poorly run. Though most are in decent condition, some properties are physically dilapidated and need substantial rehabilitation before they will be viable on the open market. According to the GAO and the HUD inspector general, maintaining this policy of oversubsidy and mortgage insurance will cost the U.S. Government as much as $64 billion. Substantial reforms are necessary now in order to avert a crisis the HUD inspector general warns will compare to the savings and loan debacle. Over the next 7 years, most of these contracts will come up for renewal. The present policy of contract renewal is untenable. Substantial reform must be enacted if the enormous costs associated with the present system are to be avoided. The administration has proposed to bring the mortgage levels of these projects down to the real market value of the property. By doing so, the rents can be reduced to market rates without triggering a mortgage default and thus avoiding a cost to the FHA. This would be accomplished through selling the mortgage on the open market, without the FHA insurance and only transitional project-based assistance. The sale would entail a loss to the Federal Government because it would have to cover the value of the mortgage between the present level and the market rate. But because the sale would be without insurance and ultimately without project-based assistance, at the end of the process, the housing assistance would be transformed into a voucher-based program and the Federal Government's liability would be extinguished.

Increase FCC User Fees. This proposal would increase the fees charged by the Federal Communications Commission to holders of FCC licenses. The Congress passed legislation in the Omnibus Budget Reconciliation Act of 1993 that established new fees for certain types of licenses and increased fees for others. The fees, however, are earmarked for specific regulatory costs and do not cover all regulatory activities or agency overhead. This proposal assumes that the fees would cover the full cost of the services that the FCC provides to licenseholders, including regulation, enforcement, rulemaking, and international and informational activities. It is assumed that the fee requirement would be adjusted for such factors as coverage of licenseholders' service areas and whether a license provides for shared or exclusive use.

Fannie Mae and Freddie Mac. The Budget Committee intends to appoint a special task force chaired by Representative Sue Myrick to study the unique relationship that Fannie Mae and Freddie Mac have with the Federal Government. Furthermore, the committee requests that the House Committee on Banking and Financial Services conduct a review to explore the possibility of privatizing Fannie Mae and Freddie Mac. The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation—Fannie Mae and Freddie Mac—are chartered and established by the Federal Government. In addition, they benefit from exemptions from State and local taxes, certain Federal regulations and they have access to the U.S. Treasury under certain circumstances. The result is a greater ability on the part of Fannie Mae and Freddie Mac to borrow money at more favorable rates. The U.S. Government essentially provides equity capital by bolstering their credit ratings. This Federal affiliation benefits Fannie Mae and Freddie Mac, according to CBO, by 30 cents on every $100 dollars of long-term debt they have. Presently, they do not compensate the Federal Government for this benefit even though they are fully private corporations, wholly owned by private stockholders.

FUNCTION 400: TRANSPORTATION

This function includes Federal funding for highway, railroad, transit, aviation, and water programs.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 400: TRANSPORTATION

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget authority	42,519	40,456	42,736	43,455	43,727	44,291	43,775	43,260
Outlays	39,338	38,832	37,459	36,609	35,602	34,920	34,190	33,705
DISCRETIONARY	Changes from 1995 levels							
Eliminate DOT's minority business programs:								
Budget authority	7	−5	−7	−7	−7	−7	−7	−7
Outlays	7	−4	−7	−7	−7	−7	−7	−7
Eliminate highway demonstration projects:								
Budget authority	NA	−352	−352	−352	−352	−352	−352	−352
Outlays	352	−56	−295	−580	−828	−994	−1,126	−1,240
Eliminate funding for intelligent vehicle development:								
Budget authority	NA	0	0	0	0	0	0	0
Outlays	NA	−43	−193	−239	−252	−260	−268	−274
Eliminate the Federal Maritime Commission:								
Budget authority	19	−19	−19	−19	−19	−19	−19	−19
Outlays	19	−16	−18	−19	−19	−19	−19	−19
Eliminate the Maritime Administration and transfer defense-critical functions to the Department of Defense:								
Budget authority	91	−91	−91	−91	−91	−76	−91	−91
Outlays	19	−81	−66	−69	−70	−72	−72	−72
Adopt Coast Guard streamlining measures:								
Budget authority	2,607	−65	−65	−65	−65	−65	−65	−65
Outlays	2,481	−52	−57	−65	−65	−65	−65	−65
Eliminate the Interstate Commerce Commission and transfer remaining functions to the Department of Transportation:								
Budget authority	33	−10	−20	−20	−20	−20	−20	−20
Outlays	38	−8	−20	−20	−20	−20	−20	−20
Phase out Federal mass transit operating subsidies, provide regulatory relief and flexibility:								
Budget authority	NA	−193	−385	−578	−770	−770	−770	−770
Outlays	NA	−107	−273	−461	−653	−738	−765	−769
Mass transit capital expenditures: no new starts in fixed guideway mass transit capital grants:								
Budget authority	NA	0	0	0	0	0	0	0
Outlays	NA	−12	−75	−202	−332	−461	−590	−645

COMMITTEE RECOMMENDATION—Continued

FUNCTION 400: TRANSPORTATION

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Mass transit capital expenditures: change Federal matching rate for remaining capital expenditures to 50 percent:								
Budget authority	NA	−214	−214	−214	−214	−214	−214	−214
Outlays	NA	−40	−217	−491	−701	−902	−1,014	−1,049
Terminate out-year funding for interstate transfer grants:								
Budget authority	48	−48	−48	−48	−48	−48	−48	−48
Outlays	99	−1	−6	−15	−25	−35	−44	−48
Complete Washington Metro in 1999:								
Budget authority	200	0	0	0	−150	−200	−200	−200
Outlays	150	0	0	0	−3	−19	−54	−94
Eliminate transit planning and research:								
Budget authority	100	−100	−100	−100	−100	−100	−100	−100
Outlays	73	−10	−54	−88	−98	−100	−100	−100
Terminate out-year funding for Pennsylvania Stattion Redevelopment Project:								
Budget authority	40	−40	−40	−40	−40	−40	−40	−40
Outlays	9	−3	−23	−33	−37	−40	−40	−40
Make Amtrak more businesslike: provide regulatory relief, phase out operating and capital subsidies between 1999 and 2002:								
Budget authority	772	0	0	0	−309	−463	−618	−772
Outlays	752	0	0	0	−254	−412	−579	−733
Complete Northeast Corridor Improvement Program in 1999:								
Budget authority	200	0	0	0	0	−200	−200	−200
Outlays	194	0	0	0	0	−40	−140	−200
Eliminate funding for high-speed rail development:								
Budget authority	20	−20	−20	−20	−20	−20	−20	−20
Outlays	14	−10	−20	−25	−25	−25	−25	−25
Eliminate Federal funding for the Essential Air Services Program:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	33	−27	−33	−33	−33	−33	−33	−33
Eliminate grants to reliever airports:								
Budget authority	0	0	0	0	0	0	0	0
Outlays	63	−11	−38	−51	−57	−60	−63	−63
Eliminate funding for the Civil Aeromedical and Training Institutes:								
Budget authority	22	−22	−22	−22	−22	−22	−22	−22
Outlays	22	−18	−21	−22	−22	−22	−22	−22
Eliminate Air Traffic Control Revitalization Act premium pay:								
Budget authority	87	−87	−87	−87	−87	−87	−87	−87
Outlays	87	−76	−87	−87	−87	−87	−87	−87
Reduce funds for the Office of the Secretary of Transportation:								
Budget authority	NA	−6	−8	−8	−8	−8	−8	−8
Outlays	NA	−4	−8	−8	−8	−8	−8	−8
Eliminate select unnecessary transportation programs and return responsibility to States:								
Budget authority	NA	−3	−3	−3	−3	−3	−3	−3
Outlays	NA	−11	−55	−67	−71	−73	−75	−75
Eliminate select functions and overhead for Department of Transportation Research and Special Programs Administration [RSPA]:								
Budget authority	26	−16	−26	−26	−26	−26	−26	−26
Outlays	24	−7	−22	−26	−26	−26	−26	−26

COMMITTEE RECOMMENDATION—Continued

FUNCTION 400: TRANSPORTATION

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Terminate Local Rail Freight Assistance Program:								
Budget authority	17	−17	−17	−17	−17	−17	−17	−17
Outlays	26	−7	−14	−17	−17	−17	−17	−17
Science, Aeronautics and Technology (ii) [NASA]:								
Budget authority	882	−153	−181	−199	−217	−236	−236	−236
Outlays	467	−81	−157	−188	−207	−226	−234	−236
Mission Support (ii) [NASA]:								
Budget authority	414	9	−4	−13	−21	−30	−30	−30
Outlays	348	7	−3	−10	−19	−28	−29	−30
Rescind funds for NASA wind tunnel:								
Budget authority	400	−400	0	0	0	0	0	0
Outlays	0	−1	−300	−99	0	0	0	0
MANDATORY								
Vessel tonnage: [1]								
Budget authority	NA	0	0	0	49	49	49	49
Outlays	NA	0	0	0	49	49	49	49
Rail safety: [1]								
Budget authority	NA	42	43	45	47	49	51	53
Outlays	NA	42	43	45	47	49	51	53

[1] Permanent expiring user fees.

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SPENDING

Eliminate Duplicative Small and Minority Business Programs and Consolidate Functions Within the Small Business Administration. This proposal, also reflected in Function 370, calls for eliminating funding for the Department of Transportation's Minority Business Resource Center Program, and the Department of Commerce's Minority Business Development Administration, and recommends that clients of these services utilize Small Business Administration programs. Both of these programs duplicate functions already performed by the Small Business Administration.

Eliminate Highway Demonstration Projects. Approximately 95 percent of highway funds are allocated to the States using formulas which, are designed to reconcile the competing transportation needs of States. The remainder of the funds are allocated by earmarks, also known as demonstration projects, in which Members of Congress designate specific highway projects in authorizing and appropriations bills. Earmarking circumvents the planning process by allocating funds on a political, not economic basis.

Eliminate Funding for the Intelligent Vehicle Development. The Intelligent Vehicle Highway System Act of 1991 established a Federal program to research, develop, and operationally test IVHS systems and to promote their implementation. IVHS encompasses technologies, ranging from electronic toll collection to fully automated futuristic highways. IVHS America, the Federal advisory committee to DOT, estimates that about $6 billion,—$4.7 from Federal, State and local governments—will be needed through 2011 to complete all research and development projects and operational tests and develop a system architecture. This architecture is expected to include a massive government-owned and operated telecommunication infrastructure. Implementing the system once developed is estimated to cost an additional $8.5 to $26 billion. In short, development costs are high and widespread commercial success is uncertain: Federal involvement would be long term and costly.

Eliminate the Federal Maritime Commission. The Federal Maritime Commission is charged with regulating a system of steamship conferences that establish and publish ocean transportation rates. This proposal would deregulate Federal maritime policy, terminate the Commission, and transfer critical functions to the Department of Transportation.

Eliminate the Maritime Administration and Transfer Defense-Critical Functions to the Department of Defense. The Maritime Administration [MARAD] was established in 1950 to promote a strong U.S. merchant marine. MARAD emphasizes promoting maritime industries and ensuring seafaring manpower for peacetime and national emergencies. But rather than bolstering the U.S. shipping industry, these programs have undermined the competitiveness of U.S. shipping and shipbuilding. Today, only about 4 percent of waterborne cargoes imported and exported from the United States are carried on U.S.-flag carriers. According to GAO, between 1982 and 1992 the number of U.S. privately owned ships decreased by 31 percent. In testimony on January 11, the inspector general of the Department of Transportation stated: "Overall, most of MARAD's mission can readily be transferred or eliminated with little, if any, noticeable impact to the tax-paying public." This proposal calls for transferring the Maritime Academy to the Department of Defense and requiring DOD to charge tuition, eliminating subsidy programs for operation of U.S.-flag operators, selling off the National Defense Reserve Fleet, transferring the Ready Reserve Fleet and other functions essential to national security to the Department of Defense, and phasing out loan guarantees.

Adopt Coast Guard Streamlining Measures. In its 1996 budget request, the U.S. Coast Guard cited $385 million in reductions that could be achieved by streamlining operations. This represents a continuation of current streamlining efforts. This proposal adopts $304 million of reductions, rejects requested programmatic increases, but leaves flexibility in how the reductions are achieved.

Eliminate the Interstate Commerce Commission and Transfer Remaining Functions to the Department of Transportation.—The ICC, created in 1887, is the oldest independent regulatory agency. Since the Motor Carrier and the Staggers Rail Acts in 1980, most of the ICC's duties have been eliminated. But the vestiges of regulation remain, including a large number of routine applications for ICC approval of operating rights, rates, and other business decisions. In its fiscal year 1996 request, the Clinton administration proposed eliminating the ICC. On June 16, 1994, the House voted to eliminate funding for the Interstate Commerce Commission as an amendment to the fiscal year 1995 Transportation appropriations bill. In conference, the House and Senate agreed to a 30-percent reduction.

Eliminate the Federal Transit Administration. Federal transit policy has been highly costly and counterproductive. This proposal calls for a dramatic downsizing in the Federal role in mass transit. The Federal Transit Administration itself has been criticized as ineffective oversight and for allowing misuse of millions of dollars of Federal funds. Remaining functions not eliminated below should be transferred to the Federal Highway Administration.

—*Phase Out Federal Mass Transit Operating Subsidies, Provide Regulatory Relief and Flexibility.* The proposal includes the following components: Since 1965, the Federal Government has spent over $50 billion on urban mass transit. Yet, during that time, the percentage of trips to work taken on mass transit has declined by 30 percent. Although, Federal operating subsidies are barely 5 percent of total operating costs. But the Federal regulations raise transit costs two or three times the amount received by transit agencies from the Federal Government. This is largely the result of expensive Federal mandates. For example, Federal transit labor projections require transit agencies to pay 6 years of severance payments for transit employees dismissed because of efficiency gaining measures. Phasing out operating subsidies and allowing States and localities more flexibility in transportation spending would encourage local authorities to lower operating costs, privatize and contract out, and generally improve local investment choices. In addition, providing relief from Federal Regulations such as section 13(c) labor projections of the 1964 Transit Act and select Clean Air Act provisions, extending bus life requirements and extending ADA compliance deadlines will enable local transit authorities to do more with less.

—*Mass Transit Capital Expenditures: No New Starts in Fixed Guideway Mass Transit Capital Grants; Change Matching Rate for Remaining Capital Expenditures to 50 Percent.*—New urban mass transit rail systems are not economically justified for at least three reasons: First, urban areas have "suburbanized" and sources of employment have spread beyond the traditional downtown area. This limits the market for traditional high-capacity transit rail services. Second, transit has experienced cost escalation so extreme that the same services can be provided by the competitive market for savings of up to 50 percent. Finally, a DOT study by Harvard economists indicated that bus-ways can be built and operated for one-fifth the cost of new rail systems.

According to Census Bureau statistics, no U.S. metropolitan area that built or expanded urban rail systems in the 1980's experienced an increase in transit's market share. For example, transit's work trip market share decreased 33 percent in Portland, OR, despite the opening of a new light rail line. Transit work trip market share in Atlanta declined 36 percent despite an expansion of the heavy rail system. Yet by subsidizing 80 percent of transit construction projects, the Federal Government has encouraged expansion of economically unjustifiable mass transit rail systems. This proposal would terminate funding for new mass transit systems and restrict the Federal matching share of remaining capital expenditures to 50 percent. This would encourage local authorities to invest in new transit systems which are likely to be economically viable and could attract private capital.

—*Terminate Out-Year Funding for the Interstate Transfer Grants.* Funding in 1995 fulfills the Federal commitment to transit capital projects substituted for previously withdrawn segments of the Interstate Highway System. This proposal, also adopted by OMB, corrects future spending projections.

—*Complete Washington Metro in 1999.* This proposal would fully fund the Federal Government's current authorization for development of the final 13.5 miles of the 103-mile system.

—*Eliminate Transit Planning and Research.* This program allows the Federal Government to serve as a catalyst for research and development of transit technologies. It is significant, however, that Federal subsidization and participation in transit planning and research have failed to stem the decline in transit market share and lower transit per unit operating costs.

Terminate Out-Year Funding for Pennsylvania Station Redevelopment Project.—This earmarked project has never been authorized, and funding for it has never been requested by either the Department of Transportation or Amtrak. The House Appropriations Committee report states "it appears that funds requested for fiscal year 1995 are only a lure to attract commitment" to make the project a reality, and in its rescission package, the Appropriations Committee terminated funding for the Pennsylvania Station Redevelopment. This proposal would extend these savings through 2000.

Make Amtrak More Businesslike: Provide Labor Relief, Phase Out Operating and Capital Subsidies Between 1999 and 2002. Amtrak was established in 1970 as a for-profit corporation to take over the Nation's ailing passenger rail system. But Amtrak has been burdened by costly Federal laws and highly subsidized to insulate it from market forces. The cumulative cost to the taxpayer of this Amtrak experiment has been in excess of $17 billion.

Recently, Amtrak has undertaken an aggressive plan for reducing expenses, adjusting routes, retiring its oldest cars and setting itself on a more businesslike footing. Amtrak has also been successful, preliminarily, in negotiating to obtain subsidies from States where it operates routes at a loss. But Amtrak's ability to operate like a commercial enterprise remains hamstrung by a variety of labor protections. For example, Appendix C–2 of the Rail Passenger Service Act requires that Amtrak pay 6 years severance to any employee laid off due to a termination of a route. Because of the "30-mile rule," an employee can invoke full severance benefits if Amtrak seeks to move his work location 30 miles or more. Amtrak is also prohibited from contracting out if contracting results in the termination of any employees. With relief from these provisions and others, Amtrak will be in a better position to continue reducing costs, improving service, and become self-financing. This proposal calls for Amtrak to continue its plan of strategic downsizing and negotiating with States where it operates at a loss. This proposal further calls for a significant revision of the laws governing passenger rail labor protection, and phasing out Federal subsidies between 1999 and 2002.

Complete Northeast Corridor Improvement Program in 1999. According to the Northeast Corridor Transportation Plan, by the Department of Transportation, the infrastructure will be ready for 3-hour Boston to New York City service on selected trains by 1999. This proposal would terminate funding for the Northeast Corridor Improvement Program in 1999 to coincide with this milestone.

Eliminate Funding for High-Speed Rail Development. The high-speed rail program invests in the development of train systems capable of traveling at 150 mph or faster. The program is intended to "focus on next generation rail service compatible with existing infrastructure." But according to GAO, existing U.S. rights-of-way have many curves and carry slow traffic, precluding travel at speeds in excess of 150 mph. To accommodate faster traffic and new tracks or magnetic guideways would need to be installed, at an estimated cost of at least $20 million per mile. In short, implementing high-speed rail will require an extremely costly, long-term investment by the Federal Government, while conventional passenger rail service already requires exorbitant Federal, State, and local subsidies. According to GAO, "private investors have avoided [high-speed rail] projects, considering them unlikely to be profitable." This proposal would terminate that program.

Eliminate Federal Funding for the Essential Air Service Program. The Essential Air Service Program was created by the Airline Deregulation Act of 1978 to continue air service to communities that had received federally mandated air service prior to deregulation. The program provides subsidies to air carriers serving small communities that meet certain criteria. Subsidies currently support air service to 82 communities, with about 700,000 passengers served annually. The subsidy per passenger ranges from $5 to nearly $320. This program was established to provide a smooth phaseout of Federal subsidies to airlines that service small airports. This proposal would end the program.

Eliminate Grants to Reliever Airports. One set-aside category in the Airport Improvement Program provides funds for projects at general aviation airports called "relievers." Relievers are defined as those airports that relieve congestion at commercial airports, and provide additional general aviation access to the community. This set-aside was created by Congress to reduce congestion at commercial airports by improving reliever airports and to provide general aviation with additional access to airports. But according to GAO: "FAA does not consider general aviation to be a significant factor in congestion at commercial airports today." During 1983 to 1991, the proportion of general aviation traffic decreased by 38 percent at the Nation's congested commercial airports. This decrease can be attributed to an overall decline in general aviation activity, not the presence of reliever airports. Further, FAA and aviation industry group officials consider access to general aviation facilities to be sufficient—and often more than sufficient—in most areas where relievers are located.

Eliminate Funding for the Civil Aeromedical Institute and the FAA Management Training Institute. These eliminations were recommended by the Inspector General of the Department of Transportation. These services could be obtained through private providers.

Eliminate Air Traffic Control Revitalization Act Premium Pay. The Federal Government provides a 5-percent pay premium to more than 30,000 air traffic controllers, operators, technicians, inspectors, and maintenance employees who did not strike 14 years ago. This proposal would eliminate that pay differential.

Reduce Funds for the Office of the Secretary of Transportation. This reduction could be achieved by eliminating Funding for transportation planning, research and development. This account finances systems development and those research activities and studies concerned with planning and analysis and information development. This function is duplicated in the modal agencies within the DOT.

Eliminate Select Unnecessary Transportation Programs and Return Responsibility to States. This proposal would eliminate the following programs and return their functional responsibilities to the States: The International Highway Transportation Outreach Program; the Congestion Pricing Program; the Applied Research Program; the National Highway and Transit Institutes; and the On-the-Job Training Program.

Eliminate Select Functions and Overhead for Department of Transportation Research and Special Programs Administration [RSPA].—RSPA serves as a research, analytical, and technical development arm of the Department for multimodal research and development, as well as special programs. According to the inspector general of the Department of Transportation:

> * * * collection of data [by RSPA] poses significant cost to the airline industry and requires DOT staff resources. In an unregulated environment, much of the data collected is not needed and should be eliminated. For the remaining data that meets essential Federal needs * * * consolidation of the collection process in the Bureau of Transportation statistics or by a private contractor may be more efficient than the current RSPA operations.

Safety and hazardous materials functions should be transferred to the FHWA or elsewhere in DOT, the Volpe National Transportation Systems Center should be privatized, and remaining functions should be closed.

Terminate Local Rail Freight Assistance Program. This program provides discretionary and flat rate grants to States for planning and acquisition, track rehabilitation, and rail facility construction for light density freight lines. According to the Congressional Budget Office, opponents of the program argue that it is a low priority because the lines in question are not an important link in the national transportation system. Because most of the benefits accrue at the local or State level, any subsidies should come from State or local governments, not the Federal Government. The Clinton administration requests no funding for this program, and funding for the program was rescinded by the Appropriations Committee this year.

Emphasize NASA's Core Missions. In certain areas, such as fundamental scientific research and collective risk endeavors, the government does play an important role. This proposal assumes that space exploration and aeronautical research and development, including the Advanced Subsonic Technology and High Speed Civil Transport Programs are examples where the collective risks are still high, and where agencies such as the National Aeronautics and Space Administration have been able to make great technical strides with public funds that have not only resulted in scientific advances, but in significant economic benefits as well. Indeed, NASA's efforts in aeronautical research have helped assure American pre-eminence in the aerospace field and maintain a substantial balance-of-trade surplus in that portion of the economy. Still, even in outer space, policies are advocated that encourage faster private technology development as risk becomes better understood and more controllable. Finding ways to involve industry in space activities should be a major priority. Consequently, this proposal assumes a $1.5 billion savings by privatizing the space shuttle. Savings on the order of $2.7 billion are also assumed by applying just such a policy to the Mission to Planet Earth Program. This proposal also assumes the overall NASA management and operational reforms referred to in House Report 104–89, part 1. Finally, space is the last frontier to be utilized and developed. In this regard, this proposal provides for the full allocation of resources necessary from the $13.2 billion required to complete the construction and assembly of the international space station basic research laboratory. [Note: The figures above reflect the portion of this provision that occurs in Function 400. Another portion appears in Function 250.]

MANDATORY SPENDING

Make Permanent Various Expiring User Fees in the Omnibus Budget Reconciliation Acts of 1990 and 1993. The proposal extends vessel tonnage charges imposed on users of U.S. ports, and rail safety fees imposed on rail carriers to fund railroad safety activities. Recipients of government services such as Coast Guard harbor maintenance should share the cost of providing these services rather than the general public.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

This function includes the Community Development Block Grant, programs within the Federal Emergency Management Agency, the Small Business Administration, and the Bureau of Indian Affairs.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget authority	9,175	6,746	6,718	6,709	6,725	6,661	6,192	6,074
Outlays	11,591	9,897	7,824	6,720	6,497	6,566	6,445	6,042
DISCRETIONARY	Changes from 1995 levels							
Eliminate Federal support for the Tennessee Valley Authority:								
Budget authority	143	−143	−143	−143	−143	−143	−143	−143
Outlays	141	−42	−117	−133	−143	−143	−143	−143
Eliminate the Economic Development Administration:								
Budget authority	450	−429	−441	−443	−445	−447	−450	−450
Outlays	317	−23	−119	−239	−332	−426	−450	−450
Community Development Block Grant:								
Budget authority	4,622	−924	−924	−924	−924	−924	−924	−924
Outlays	4,047	−37	−405	−773	−902	−924	−924	−924
End policy development and research programs:								
Budget authority	42	−42	−42	−42	−42	−42	−42	−42
Outlays	37	−17	−38	−42	−42	−42	−42	−42
Eliminate Community Development Financial Institutions:								
Budget authority	125	−124	−124	−124	−124	−124	−124	−124
Outlays	34	−5	−37	−81	−113	−124	−124	−124
Eliminate the Appalachian Regional Commission:								
Budget authority	282	−282	−282	−282	−282	−282	−282	−282
Outlays	202	−14	−85	−169	−219	−254	−282	−282
Rural water and waste disposal grants: [1]								
Budget authority	630	−63	−63	−63	−63	−63	−63	−63
Outlays	398	−2	−12	−28	−45	−55	−63	−63
Rural business enterprise grants: [1]								
Budget authority	48	−25	−25	−25	−25	−25	−25	−25
Outlays	32	−3	−12	−25	−25	−25	−25	−25
Rural development loan fund: [1]								
Budget authority	47	−24	−24	−24	−24	−24	−24	−24
Outlays	21	−3	−7	−14	−18	−24	−24	−24
Rural business and industry loans: [1]								
Budget authority	20	−10	−10	−10	−10	−10	−10	−10
Outlays	17	−1	−5	−10	−10	−10	−10	−10

COMMITTEE RECOMMENDATION—Continued

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

[In millions of dollars]

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Terminate local technical assistance: [1]								
Budget authority	2	2	2	2	2	2	2	2
Outlays	0	0	0	2	2	2	2	2
BIA and construction:								
Budget authority	1,000	−214	−214	−214	−214	−214	−214	−214
Outlays	1,005	−135	−196	−201	−207	−209	−209	−209
Pennsylvania Avenue Development Corporation:								
Budget authority	7	0	−6	−7	−7	−7	−7	−7
Outlays	177	0	−6	−6	−7	−7	−7	−7
MANDATORY								
50-Percent reduction in flood insurance subsidy on pre-firm structures:								
Budget authority	NA	−181	189	−98	−207	−216	−226	−236
Outlays	NA	−181	−189	0	0	0	0	?

[1] Rural development block grant.

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SPENDING

Eliminate Federal Support for the Tennessee Valley Authority. The Tennessee Valley Authority (TVA) is the nation's largest electric utility. It also is responsible for a variety of natural resource maintenance and development, recreational, community development and environmental activities. In 1995 Congress appropriated $143 million for these activities. This proposal would end this annual subsidy for TVA. Other, equally deserving regions of the country fund these activities either through higher rates for electric power, local tax revenues, or user fees.

Eliminate the Economic Development Administration as Part of Terminating the Department of Commerce. The Economic Development Administration was established under the Public Works and Economic Development Act of 1965 to stimulate economic growth in economically distressed areas. EDA has long been criticized for providing Federal assistance for activities whose benefits are primarily local and should be the responsibility of State and local governments. EDA programs also have been criticized for substituting Federal credit for private credit and for facilitating the relocation of businesses from one distressed area to another. Furthermore, its eligibility criteria is extremely broad, has resulted in little proven effect compared with other programs having similar goals.

Community Development Block Grant. This program is being shifted into Function 600 as part of the block grants for development, housing, and special populations.

End Housing Policy Development and Research Programs. The PDR develops ideas for planning and implementing changes in housing policy. It develops programmatic proposals to improve delivery of services. Research and analysis of housing programs is done by independent government agencies such as GAO, CBO, and CRS, as well as private entities. In addition, the presence of this analytical unit has not prevented massive problems associated with

HUD's coordination and planning policies, as outlined in the HUD IG report and the National Academy of Public Administration report.

Eliminate Community Development Financial Institutions. This program was created in 1994 to provide financial support for community development banks, credit unions, and microloan funds. It duplicates what the Neighborhood Reinvestment Corporation can already do. It was targeted for rescission by the House Appropriations Committee.

Eliminate the Appalachian Regional Commission [ARC]. The Federal Government provides annual funding to the ARC for activities that promote economic growth in Appalachian counties. Yet there is little evidence that the ARC can be credited with improvements in the economic health of Appalachia. The programs supported by the ARC duplicate activities funded by other Federal agencies, such as the Department of Transportation's Federal Highways Program and the Department of Housing and Community Development Block Grant Program. ARC resources go to poor rural communities that areas are no worse off than many others outside the Appalachian region and, therefore, no more deserving of special Federal attention.

Create a Rural Development Block Grant. The administration has recommended the creation of a Rural Development Performance Partnership Program. Under their proposal, existing programs—solid waste management grants, rural water and waste disposal grants, rural water and waste disposal loans, rental assistance program, rural community fire protection grants, rural community facility loans, rural housing insurance fund, salaries and expenses of the Rural Business and Cooperative Development Service, rural technology and cooperative development grants, local technical assistance and planning grants, rural business enterprise grants, rural business and industry loans, and rural development loans—would be merged into a new block grant. This proposal generally accepts the notion of a block grant, albeit with a different composition and lower funding level. The proposal would freeze funding for Rural Community Facility Loans, which are provided for the construction and improvement of community facilities providing essential services in rural areas, such as hospitals and fire stations. It also recommends terminating several low-priority programs—Rural Community Fire Protection Grants, Compensation for Construction Defects, and Local Technical Assistance and Planning Grants—it recognizes that the Section 515 Rural Insurance Housing Program has not been authorized, and it reduces waste-water programs. The proposal also recognizes that the private sector is significantly more effective at producing economic development than the government. Therefore, the proposal calls for a 50-percent reduction in all business and development accounts before the creation of the block grant. Finally, the proposal accepts the Administration's funding request for Very Low-Income Housing Repair Grants, but incorporates the program into the new block grant. [Note: the rental assistance portion of this proposal appears in Function 600.] and The Rural Housing Insurance Program occurs in Function 370.

Create a New Native American Block Grant. This proposal would accelerate the trend toward self-determination for native Americans. The reinvented Bureau of Indian Affairs would provide block grants, rather than engaging in the direct provision of services or the direct supervision of tribal activities. This proposal would reduce the central office operations of the BIA by 50 percent and eliminate funding for the Navaho and western Oklahoma area offices. It would eliminate technical assistance of Indian enterprises, through which technical assistance for economic enterprises is provided by contracts with the private sector or with other Federal agencies. As recommended by the Clinton administration, the proposal eliminates funding for direct loans to the Indians, and it reduces the guaranteed loans by 10 percent. Currently, the government provides loan guarantees with an emphasis on manufacturing, business services, and tourism. The block grant incorporates 80 percent of the current budget for construction. This proposal also assumes that the operating costs of the National Indian Gaming Commission are financed through annual assessments of gaming operations regulated by the Commission. Finally, it assumes that the other major programs for native Americans will be incorporated into this block grant when those programs have achieved self-determination. [Note: Portions of this proposal also are contained in Functions 550 and 800.]

Eliminate the Pennsylvania Avenue Development Corporation and Other Low-Priority Programs in the Departments of Agriculture and the Interior. This proposal would terminate several programs, including the Urban Park and Recreation [UPAR] Fund, international forestry, the Pennsylvania Avenue Development Corporation, the Woodrow Wilson International Center, the National Capital Arts and Cultural Affairs, the Wildlife Conservation and Appreciation Fund, and the African Elephant Conservation Fund. UPAR provides matching grants to cities for the renovation of urban parks and recreation facilities. Under international forestry, technical assistance is provided outside the United States. The Woodrow Wilson International Center for Scholars facilitates scholarship "of the highest quality in the social sciences and humanities." The National Capital Arts and Cultural Affairs account is funded under the Commission of Fine Arts; it makes payments for general operating supports to Washington, DC, arts and other cultural organizations. The Wildlife Conservation and Appreciation Fund provides grants to States for conservation and appreciation projects intended to conserve "the entire array of diverse fish and wildlife species." Rewards are paid for information leading to a civil penalty or criminal conviction under the African Elephant Conservation Act. Given the size of the Federal deficit, it is important to eliminate or substantially reduce low-priority programs. The figures above reflect the Pennsylvania Avenue Development Corporation savings in Function 450.

MANDATORY SPENDING

Reduce by 50 Percent the Flood Insurance Subsidy on Pre-FIRM Structures. The National Flood Insurance Program [NFIP] offers insurance at heavily subsidized rates for buildings constructed before January 1, 1975, or the completion of a participating community's "Flood Insurance Rate Map" [FIRM]. Owners of post-FIRM construction pay actuarial rates for their insurance. Currently, 18 percent of total flood insurance coverage is subsidized. The Federal Emergency Management Agency [FEMA], which administers the flood insurance program, reported in 1994 that 41 percent of policyholders were paying subsidized rates for some or all of their coverage. The program subsidizes only the first $45,000 of coverage for a single-family or two- to four-family dwelling, and the first $130,000 of a larger residential, nonresidential, or small business building. Coverage in the subsidized tier is currently priced at about one-third of its actuarial value. Under this proposal, the subsidy would be reduced by 50 percent.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Programs within this function include aid to elementary and secondary education, college student loans and grants, worker training, foster care, aid to the disabled, and Head Start.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

COMMITTEE RECOMMENDATION

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

[In millions of dollars]

House Budget Committee Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals: House Budget Committee balanced budget path:								
Budget Authority	58,300	45,737	45,016	44,874	45,401	45,898	44,959	44,562
Outlays	54,730	52,266	46,438	44,627	44,711	45,168	44,207	43,671
DISCRETIONARY		Changes from 1995 levels						
Eliminate Funding for Goals 2000:								
Budget Authority	403	−403	−403	−403	−403	−403	−403	−403
Outlays	133	−48	−323	−395	−403	−403	−403	−403
Eliminate Funding for Title 1 Concentration Grants and BIA Set-Aside:								
Budget Authority	703	−703	−703	−703	−703	−703	−703	−703
Outlays	668	−88	−584	−715	−703	−703	−703	−703
Fund Impact Aid at the President's Level:								
Budget Authority	728	−109	−136	−178	−178	−178	−178	−178
Outlays	1,088	−89	−129	−170	−177	−178	−178	−178
Eliminate Duplicative School Improvement Programs:								
Budget Authority	415	−415	−415	−415	−415	−415	−415	−415
Outlays	311	−50	−332	−407	−415	−415	−415	−415
Consolidate School Improvement Programs and Drug-Free Schools into Governors' Block Grant:								
Budget Authority	1,170	−351	−351	−351	−351	−351	−351	−351
Outlays	1,120	−42	−281	−344	−351	−351	−351	−351
Discontinue Capital Contributions:								
Budget Authority	158	−158	−158	−158	−158	−158	−158	−158
Outlays	158	−16	−153	−158	−158	−158	−158	−158
Eliminate State Incentive Grants and State Post-Secondary Review Entities:								
Budget Authority	83	−83	−83	−83	−83	−83	−83	−83
Outlays	91	−17	−83	−83	−83	−83	−83	−83

COMMITTEE RECOMMENDATION—Continued

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

[In millions of dollars]

House Budget Committee Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Eliminate Duplicative Higher Education Grants:								
Budget Authority	131	−131	−131	−131	−131	−131	−131	−131
Outlays	128	−16	−105	−128	−131	−131	−131	−131
Phase Out Aid to Institutions Over Two Years as proposed by the President:								
Budget Authority	230	−47	−87	−87	−87	−87	−87	−87
Outlays	213	−6	−42	−78	−86	−87	−87	−87
Phase Out all Special Interest Scholarships:								
Budget Authority	111	−32	−69	−93	−112	−112	−112	−112
Outlays	104	−4	−30	−64	−89	−108	−112	−112
Eliminate Funding for TRIO Programs:								
Budget Authority	466	−466	−466	−466	−466	−466	−466	−466
Outlays	419	−56	−373	−457	−466	−466	−466	−466
Eliminate Federal Funding for Howard University, Redirect Half of the Savings to Historically Black Colleges Fund:								
Budget Authority	206	−103	−103	−103	−103	−103	−103	−103
Outlays	200	−177	−120	−104	−103	−103	−103	−103
Eliminate Wasteful Education Research Programs:								
Budget Authority	253	−253	−253	−253	−253	−253	−253	−253
Outlays	217	−54	−202	−249	−253	−253	−253	−253
Eliminate Federal Funding for Libraries:								
Budget Authority	144	−143	−143	−143	−143	−143	−143	−143
Outlays	155	−52	−106	−143	−143	−143	−143	−143
Reduce the Department of Education Administration Account by 30 Percent:								
Budget Authority	356	−107	−107	−107	−107	−107	−107	−107
Outlays	350	−102	−102	−102	−107	−107	−107	−107
Terminate Bilingual and Immigrant Education:								
Budget Authority	245	−245	−245	−245	−245	−245	−245	−245
Outlays	251	−29	−196	−240	−245	−245	−245	−245
Terminate Funding for the National Endowment for the Arts and National Endowment for the Humanities:								
Budget Authority	344	−344	−344	−344	−344	−344	−344	−344
Outlays	351	−129	−276	−321	−344	−344	−344	−344
Funding Head Start at the fiscal year 1994 Level:								
Budget Authority	3,534	−209	−209	−209	−209	−209	−209	−209
Outlays	3,339	−79	−184	−209	−209	−209	−209	−209
Privatize the Corporation for Public Broadcasting								
Budget Authority	286	−26	−29	−315	−315	−315	−315	−315
Outlays	286	−26	−29	−315	−315	−315	−315	−315
Eliminate the Corporation for National and Community Service:								
Budget Authority	804	−790	−790	−790	−790	−790	−790	−790
Outlays	483	−199	−572	−732	−761	−768	−775	−783

COMMITTEE RECOMMENDATION—Continued

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

[In millions of dollars]

House Budget Committee Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Terminate three accounts in the National Telecommunications and Information Administration:								
Budget Authority	96	−96	−96	−96	−96	−96	−96	−96
Outlays	32	−5	−57	−80	−95	−96	−96	−96
End Federal Attempts to Teach People How to Purchase Housing:								
Budget Authority	50	−50	−50	−50	−50	−50	−50	−50
Outlays	12	−3	−44	−49	−50	−50	−50	−50
Woodrow Wilson International Center (PA Avenue Development Corp.):								
Budget Authority	10	−10	−10	−10	−10	−10	−10	−10
Outlays	8	−5	−10	−10	−10	−10	−10	−10
National Capitol Arts and National Affairs (PA Ave Development Corp.):								
Budget Authority	8	−8	−8	−8	−8	−8	−8	−8
Outlays	8	−8	−8	−8	−8	−8	−8	−8
Create a Job Training Block Grant:								
Budget Authority	0	5,769	5,769	5,769	5,769	5,769	5,769	5,769
Outlays	0	1,096	4,904	5,769	5,769	5,769	5,769	5,769
Vocational and Adult Education (Perkins) (Job Training Block Grant):								
Budget Authority	1,464	−1,464	−1,464	−1,464	−1,464	−1,464	−1,464	−1,464
Outlays	1,468	−177	−1,171	−1,435	−1,464	−1,464	−1,464	−1,464
Education for the Disadvantaged (Job Training Block Grant):								
Budget Authority	10	−10	−10	−10	−10	−10	−10	−10
Outlays	10	−1	−8	−10	−10	−10	−10	−10
Vocational and Adult Education (Homeless Adults) (Job Training Block Grant):								
Budget Authority	9	−9	−9	−9	−9	−9	−9	−9
Outlays	10	−1	−8	−9	−9	−9	−9	−9
Community Service Employment for Older Americans (Job Training Block Grant):								
Budget Authority	411	−411	−411	−411	−411	−411	−411	−411
Outlays	409	−71	−375	−411	−411	−411	−411	−411
Training and Employment Services (Job Training Block Grant):								
Budget Authority	4,356	−4,358	−4,328	−4,298	−4,267	−4,267	−4,267	−4,267
Outlays	3,936	−137	−3,404	−4,288	−4,299	−4,266	−4,266	−4,266
State Unemployment Insurance and Employment Service Operations (Job Training Block Grant):								
Budget Authority	821	−821	−821	−821	−821	−821	−821	−821
Outlays	810	−492	−821	−821	−821	−821	−821	−821
Employment and Training Administration Unemployment Trust Fund (Job Training Block Grant):								
Budget Authority	167	−167	−167	−167	−167	−167	−167	−167
Outlays	166	−150	−167	−167	−167	−167	−167	−167

COMMITTEE RECOMMENDATION—Continued

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

[In millions of dollars]

House Budget Committee Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Eliminate Office of the American Workplace:								
Budget Authority	30	−30	−30	−30	−30	−30	−30	−30
Outlays	30	0	0	−30	−30	−30	−30	−30
Reduce the Labor Department's Management Account by Twenty Percent:								
Budget Authority	155	−35	−35	−35	−35	−35	−35	−35
Outlays	147	−28	−33	−35	−35	−35	−35	−35
Creation of Discretionary part of Child Protection Block Grant:								
Budget Authority	n/a	503	503	503	503	503	503	503
Outlays	n/a	440	503	503	503	503	503	503
Cancellation of Ways and Means Child Protection Programs:								
Budget Authority	302	−302	−302	−302	−302	−302	−302	−302
Outlays	303	−303	−303	−303	−303	−303	−303	−303
Cancellation of Opportunities Committee Child Protection Programs:								
Budget Authority	103	−103	−103	−103	−103	−103	−103	−103
Outlays	79	−10	−89	−103	−103	−103	−103	−103
Opportunities Committee Child Care Program (Repeal for Block Grant) (Narrative found in Function 600):								
Budget Authority	20	−20	−20	−20	−20	−20	−20	−20
Outlays	19	−2	−17	−19	−20	−20	−20	−20
MANDATORY								
AFDC JOBS, Title I:								
Budget Authority	1,300	−1,300	−1,300	−1,300	−1,300	−1,300	−1,300	−1,300
Outlays	980	−980	−980	−980	−980	−980	−980	−980
Subsidy Program for Student Loans:								
Budget Authority	5,778	−4,321	−5,329	−5,597	−5,433	−5,280	−5,279	−5,237
Outlays	5,237	−3,124	−4,698	−5,293	−5,255	−5,087	−5,040	−5,044
Terminate Trade Adjustment Assistance, (training part):								
Budget Authority	93	−93	−93	−93	−93	−93	−93	−93
Outlays	93	−93	−93	−93	−93	−93	−93	−93
Terminate Trade Adjustment Assistance, (NAFTA part):								
Budget Authority	33	−33	−33	−33	−33	−33	−33	−33
Outlays	9	−9	−9	−9	−9	−9	−9	−9
Foster Care, Title II (Child Protection Block Grant):								
Budget Authority	3,609	327	592	904	1,164	1,468	1,671	1,747
Outlays	3,457	81	718	1,025	1,290	1,590	1,750	1,714
Family Preservation & Support, Title II (Child Protection Block Grant):								
Budget Authority	150	−150	−150	−150	−150	−150	−150	−150
Outlays	83	−83	−83	−83	−83	−83	−83	−83

Discussion of Policy Assumptions

DISCRETIONARY SPENDING

Terminate the Department of Education.

> Improving education will take bottom-up reform. Presidential speeches and photo opportunities, national testing and assessment, federally funded experimental schools, even new grants spent in accordance with Federal guidelines, can make only marginal contributions to fixing the schools. Education in America will not improve significantly until States and communities decide they want better schools. Making education more effective will take parents who care, committed teachers, community support, and accountable school officials. An "Education President" can help focus media attention on schooling, but he risks diluting State and local responsibility by implying that Washington can actually produce change.—Alice M. Rivlin, "Reviving the American Dream."

The freshman Members of the House majority will introduce legislation to abolish the Department of Education on May 24. The Budget Committee endorses their goal of returning education to the States and local level. This proposal would eliminate funding for approximately 150 programs in the Department of Education. [Note: This department termination also calls for ending the in-school interest subsidy for Stafford Loans, which is described in the mandatory component of this function.]

—*Eliminate Funding for Goals 2000.* Education Reform will be achieved by encouraging innovation and rewarding results. Goals 2000 increases funding for bureaucracy and imposes new regulations on States and localities—exactly the wrong approach.

—*Eliminate Funding for Title 1 Concentration Grants and BIA Set-Aside.* Funding for the title 1 program, which provides supplemental funding to assist low-achieving students, has doubled over the past 10 years. Unfortunately, studies have shown limited positive effects for the students this program was supposed to help. According to the Education Department's Biennial Evaluation Report:

> Comparisons of similar cohorts by grade and poverty show that program participation does not reduce the test score gap for disadvantaged students. Indeed, Chapter 1 student scores (in all poverty cohorts) declined between the third and fourth grades.

While the recent reauthorization bill included provisions intended to reform the title 1 program, there is no evidence yet to show that these changes have improved the program. This proposal would leave the Basic Grants unchanged and eliminate funding for Concentration Grants and the BIA Set-Aside. These programs duplicate funds already provided by the Basic Grants.

—*Fund Impact Aid at President's Level.* Impact Aid provides funding to school districts that educate children of families associated with Federal installations, especially Indian reservations and military bases. The administration's proposal would limit funding to military and Indian "a's," whose parents both live and work on Federal property, and targets the assistance to more accurately reflect the local education contribution.

—*Eliminate Duplicative School Improvement Programs.* This proposal would eliminate funding for the following: Education Infrastructure; Inexpensive Book Distribution; Arts in Education; Instruction in Civics; Christa McAuliffe Fellowships; Magnet Schools Assistance; Education for Homeless Children and Youth; Women's Educational Equity; Training and Advisory Services; Dropout Prevention Demonstrations; Ellender Fellowships; Education for Native Hawaiians; Foreign Language Assistance; Training in Early Education and Violence; Charter Schools; Technical Assistance for Improving ESEA Programs; and Family and Community Endeavor Schools. Although many of these programs have useful goals, they are generally too small to be effective on a national scale. This proposal anticipates that many of these activities will be eligible for funds under a new Governors Education Reform Block Grant. The administration's budget reduces categorical programs in the Department of Education by 68.

—*Consolidate School Improvement Programs and Drug-Free Schools Into Governors' Block Grant.* This proposal would consolidate the Title 2 Program, the Eisenhower Professional Development Grants and the Drug-Free Schools Program into an $804-million Governors' Education Reform Block Grant. This approach will achieve two general principles articulated by the administration in their proposal to restructure the Perkins Act:

> * * * flexibility, allowing States and localities to implement * * * systems that respond to local needs, instead of Federal "set-asides" and other requirements and "consolidation," ending program proliferation by merging separate formula and discretionary programs into a more coherent, integrated program.

—*Discontinue Capital Contributions.* The President's Fiscal Year 1995 Budget recommended discontinuing funding for Capital Contributions for Perkins Loans, saying:

> Federal Direct Student Loans and Federal Family Education Loans, together with new Perkins Loans funded from $6 billion in existing institutional revolving funds, will provide adequate sources of capital for new student borrowing.

This proposal would not affect the two other campus-based programs, the Work-Study Program, and Supplemental Education Opportunity Grants. This proposal also would not reduce the Perkins Loan cancellation payments, nor would it eliminate the $6 billion loan revolving fund.

—*Eliminate State Incentive Grants and State Post-Secondary Review Entities.* The State Incentive Grant Program was set up in 1972 to encourage States to offer scholarships to postsecondary students in financial need. Today, all 50 States and the District of Columbia offer this kind of assistance. For this reason, the National Performance Review recommended terminating this program. The SPRE program reimburses States for activities that supplement existing institutional licensing and review functions conducted by States to enable institutions to participate in the student loan program. Critics have argued that the program is poorly focused and overly burdensome. This proposal would eliminate funding for the program.

—*Eliminate Duplicative Higher Education Grants.* This proposal would eliminate funding for the following: the Fund for the Improvement of Postsecondary Education; Alaska/Hawaii Native Culture and Arts; the Eisenhower Leadership Program; Minority Teacher Recruitment; Minority Science Improvement; Innovative Projects for Community Service; International Education and Foreign Language Studies; Cooperative Education; Law School Clinical Experience; Urban Community Service; the student financial aid database and information line; and the Mary McLeod Bethune Memorial Fine Arts Center. Most of these programs have either largely achieved their original purposes or could be supported more efficiently by other funding sources. The administration's own budget reduces the number of categorical programs in the Department of Education by 68, including 6 of the programs listed above.

—*Phase Out Aid to Institutions Over 2 Years as Proposed by the President.* The purpose of these programs is to help institutions of higher education with limited financial resources become financially self-sufficient. Although the goal is worthy, the committee agrees with the administration that the best way to support these institutions is through investing in student financial assistance. According to the administration:

> Tuition revenues from a student receiving financial aid may be used for developmental purposes, such as those currently supported by part A, as well as the endowment-building activities currently supported by part C.

—*Phase Out All Special Interest Scholarships.* The administration proposed eliminating eight postsecondary scholarship and fellowship programs. This proposal would eliminate new awards from the three remaining scholarship programs, including the Robert C. Byrd Scholarship Program. The committee agrees with the administration's efforts to "eliminate a number of smaller, categorical programs that are administratively burdensome and duplicative of the broader student financial aid programs." In addition, the committee notes that numerous merit scholarships already are provided by private groups, State governments, and universities.

—*Eliminate Funding for TRIO Programs.* The purpose of these five programs is to encourage individuals from disadvantaged backgrounds to enter and complete college. Although the programs have strong support, their effectiveness has been questioned in a number of studies. According to the Department of Education's Biennial Evaluation Report:

> Upward Bound participants were more likely to enter college and earned more credits than nonparticipants, but within 18 months after high school graduation, differences in postsecondary persistence were no longer significant * * *. There were no systematic differences in rates of college graduation or credits earned.

—*Eliminate Federal Funding for Howard, Redirect Half the Savings to Historically Black and Hispanic Colleges Fund.* Howard University funds 55 percent of its education and general expenses through its Federal appropriation. At the same time, Howard's privately raised funds trail those of its peer institutions. Howard's alumni response rate of 8 percent is far below that of other institutions. It is difficult to justify continuing a Federal subsidy of more than $15,000 per enrolled student. Howard University would be able to compete with other institutions for its fair share of the strengthening HBCU's Fund.

—*Eliminate Wasteful Education Research Programs.* This proposal would eliminate funding for the following: Research; Educational Technology; Star Schools; Ready to Learn Television; Telecommunications Demo for Mathematics; Fund for the Improvement of Education; Javits Gifted and Talented Education; National Diffusion Network; Eisenhower Regional Consortium; 21st Century Community Learning Centers; the National Writing Project; Civics Education; and the International Education Exchange. Most of these programs have largely achieved their original purpose, were created to benefit specific special interest groups, or could be supported more efficiently by other funding sources. The administration's own budget reduces the number of categorical programs in the Department of Education by 68. Title I funds could be used for English immersion or English as a second language instruction.

—*Eliminate Federal Funding for Libraries.* The President has proposed no funding for six library programs. This proposal would eliminate the two remaining programs because, while these programs are popular, there is no clear Federal role in funding local public libraries. Federal funding makes up only 1 percent of public library income.

—*Reduce Department of Education Administration Account by 30 Percent.* As the size and scope of the Department of Education is reduced over the coming year, the costs of running the Department can be significantly decreased.

—*Terminate Bilingual and Immigrant Education.* The instructional services program requires that schools spend 75 percent of their funding on transitional bilingual education instructional methods, where students are taught both in English and their native language. Unfortunately, numerous studies have shown that heavy reliance on the pupil's native language can delay English proficiency. Eliminating Federal funding for bilingual education—a mere 3 percent of the total money spent on bilingual education—could free local school districts to offer the most effective programs for their students.

Terminate Funding for the National Endowment for the Arts and the National Endowment for the Humanities. Under this proposal, Federal funding for the National Endowment for the Arts and the National Endowment for the Humanities would be eliminated. Federal funding for the arts and humanities is not affordable in a time of fiscal stringency, especially when programs addressing central Federal concerns are not fully funded. In addition, many arts and humanities programs benefit predominantly higher-income people, who could pay higher admission or ticket prices. Finally, there is serious philosophical debate about whether financing artistic creation is an appropriate government activity in the first place.

Freeze Head Start Funding at the Fiscal Year 1994 Level. Before the 1990's, there was a major push to expand Head Start to include more children. The program received its largest budget increase in 1990. In 1991, Congress authorized a total appropriation of $2.4 billion, with annual increases that would quadruple the program's budget in 4 years. In 1993, the program was funded at $2.8 billion, providing slots for 714,000 children. In 1994, funding was increased to $3.3 billion, with places for 750,000 children. This reflects a 20-percent increase in funding but only a 12-percent increase in the number of children participating. The President's 1995 budget request calls for an additional 54-percent increase in funding but only a 12-percent increase in the number of places for children. Most of the new money will go to increase the number of social workers and salaries for teachers. There also are concerns that funds are being poured into the program faster than they can be used. Other Head Start proposals, which may considerably alter the savings amount, are under consideration.

Privatize the Corporation for Public Broadcasting. The original goal of the Public Broadcasting Act of 1967 was to supply cultural and educational programming not available on the three national networks. Today, a number of channels—Arts and Entertainment, Bravo, the Learning Channel, the Discovery Channel—offer programming similar to PBS without any taxpayer assistance. Moreover, the annual Federal appropriation represents only 14 percent of the Corporation's annual budget. CPB could make up cuts in Federal funding by reducing waste and increasing corporate sponsorship and viewer support, as well as by being more aggressive in its licensing arrangements with popular PBS programs such as "Barney" and "Sesame Street." This proposal would freeze the fiscal year 1996 and fiscal year 1997 funding.

Eliminate the Corporation for National and Community Service. AmeriCorps is an inefficient and expensive way of assisting working families to pay for college. Each volunteer is given a salary and an education benefit worth approximately $7.27 per hour plus medical benefits and free child care. The benefits equal more than $15,000 annually and at least $15,000 per participant goes for overhead and administration. AmeriCorps is not means-tested. Hence, children of wealthy people can edge out low-income children for participation. About 5 million students benefit from the student loan program. AmeriCorps has approximately 20,000 members, or less than one-half of 1 percent of those students eligible for student aid. Three students could attend the University of Iowa for 1 year for the same amount of money that one AmeriCorps member costs. Senator Byrd of West Virginia noted that instead of sending one AmeriCorps participant—who may or may not need financial assistance—to college, five needy students could qualify for Pell grants. The concern that politics might undermine the integrity of the AmeriCorps program is becoming a reality. AmeriCorps awarded 42 volunteers to ACORN and 44 volunteers to the Legal Services Corporation, the chief litigator for the welfare state. The costs for these programs are $1,143,411 for ACORN and $4,959,900 for Legal Services.

Since the Senior Companion Program, the Retired Senior Volunteer Program and the Foster Grandparent Program were established prior to the establishment of the AmeriCorps program, the Budget Committee recommends that the Committee on Economic and Educational Opportunties consider moving these senior-related programs to the programs to the Administration on Aging and authorize them as part of the Older American's Act. The Committee further recommends that the Opportunties Committee consider maintaining the current structure of these programs, believing that they more appropriately belong under the Administration on Aging which oversees a variety of programs that benefit senior citizens.

Terminate Telecommunications and Information Administration Activities. This provision is part of the Department of Commerce Termination described in Function 370.

End Federal Attempts to Teach People How to Purchase Housing. This program offers counseling grants to HUD-approved housing counseling agencies. Grants provide housing counseling services for single family home buying, home ownership, mortgage default, rental, and rental delinquency. This program is beyond the scope of HUD's function. It is duplicated by presently existing State and local agency services. The House Appropriations Committee recommended the elimination of this program in its rescission package.

Eliminate the Pennsylvania Avenue Development Corporation and Other Low-Priority Programs in the Departments of Agriculture and the Interior. This proposal would terminate several programs, including the Urban Park and Recreation [UPAR] Fund, International Forestry, the Pennsylvania Avenue Development Corporation, the Woodrow Wilson International Center, the National Capital Arts and Cultural Affairs, the Wildlife Conservation and Appreciation Fund, and the African Elephant Conservation Fund. UPAR provides matching grants to cities for the renovation of urban parks and recreation facilities. Under international forestry, technical assistance is provided outside the United States. The Woodrow Wilson International Center for Scholars facilitates scholarship "of the highest quality in the social sciences and humanities." The National Capital Arts and Cultural Affairs account is funded under the Commission of Fine Arts; it makes payments for general operating supports to Washington, DC, arts and other cultural organizations. The Wildlife Conservation and Appreciation Fund provides grants to States for conservation and appreciation projects intended to conserve "the entire array of diverse fish and wildlife species." Rewards are paid for information leading to a civil penalty or criminal conviction under the African Elephant Conservation Act. Given the size of the Federal deficit, it is important to eliminate or substantially reduce low-priority programs. The figures above reflect the savings from the Woodrow Wilson Center and the National Capital Arts and Cultural Affairs, in Function 500.

Streamline the Department of Labor.

> This new Congress came to power energized by a common goal: to scrutinize the Federal budget—issue by issue, program by program—to determine what deserved continued funding. If a program wasn't doing the job, or wasn't doing it at a reasonable price, that program would either be reformed or retired. That agenda unsettled some people in this town. Change always does. But let me say at the outset—in front of the committee and the cameras—something that may startle you. I agree.—Robert B. Reich, Secretary of Labor, testimony before the House Appropriations Subcommittee on Labor/HHS/Education.

—*Block Grant Job Training Programs and Reduce Funding by 20 Percent.* In a report to the Budget and Economic and Educational Opportunities Committee, the General Accounting Office identified 163 Federal job training programs. The Opportunities Committee is drafting legislation to consolidate more than 100 of these programs into four block grants to the States. This estimate assumes the block grant would consolidate discretionary programs and total approximately $7.5 billion. The proposal also assumes funding for vocational rehabilitation for the disabled would not be reduced and that funding for the JOBS program would remain part of welfare reform. The Department of Labor in its fiscal year 1996 Budget proposed consolidating about 70 employment and training programs explaining:

> Existing [job training] programs have conflicting rules and administrative structures, confuse the people they are intended to help, add bureaucracy at every level, and waste taxpayer money.

Combining these programs into block grants would eliminate duplicative programs, increase management efficiency, and provide the States the flexibility to develop innovative programs. [Note: This block grant also contains a home ownership provision reflected in Function 600, and a substance abuse and mental health component reflected in Function 550.]

—*Eliminate the Office of the American Workplace.* The primary function of the Office of the American Workplace is to promote "progressive" labor-management relationships. Under current budgetary pressures, this is clearly a service the Department of Labor can no longer afford to provide. A second function of this office is to administer and enforce provisions of the Labor-Management Reporting and Disclosure Act. This duplicates activities already conducted by the Employment Standards Administration.

—*Reduce Department of Labor Management Account by 20 Percent.* As the size and scope of the Department of Labor is reduced through consolidation and program elimination, the costs of running the Department can be significantly decreased. Within this account, several programs that duplicate existing activities or are simply unneeded could be eliminated. Possible targets for elimination include the Bureau of International Affairs, the Women's Bureau, and the National Commission for Employment Policy.

Establish a Child Protection Block Grant. This proposal, which is title II of the House-passed welfare reform plan, consolidates 23 current Federal programs targeted at abused children into a single block grant to States. It eliminates 18 pounds of Federal regulations that currently constrain the States' ability to innovate in this area. It allows States to target funds to areas of greatest need, and requires States to eliminate policies that prohibit cross-racial adoptions. Such policies currently result in black children having to wait twice as long as white children for adoption opportunities.

MANDATORY SPENDING

Eliminate AFDC JOBS Program. The savings from this termination are to be channeled to the Family Assistance Block Grant in title I of the welfare reform plan.

Eliminate In-School Interest Subsidy for Stafford Loans. Under the Federal student loan programs, the government provides interest-free loans to low- and middle-income students while they are in school. Free is a slightly misleading term, because these subsidies will cost the taxpayer $12.4 billion over the next 5 years. Although the administration is now publicly opposed to this option, OMB Director Alice M. Rivlin targeted this subsidy in her October "Big Choices" memo. Elimination of the subsidy will not significantly increase a student's debt. A student who borrows the maximum for 4 years of college ($17,125) will see his or her monthly repayment go up by $45, or about the price of a daily Super Big Gulp. A student who borrows the maximum for 2 years ($11,000) will see a monthly repayment increase of $21, or less than the cost of two compact disks.

Terminate Trade Adjustment Training Programs. This provision is a component of the elimination of the Trade Adjustment Assistance Program, as described in Function 600.

REPORT LANGUAGE

Privatize Student Loan Marketing Association [Sallie Mae]. The Student Loan Marketing Association [Sallie Mae] was established in 1972 as a government-sponsored corporation dedicated to ensuring adequate private-sector funding for federally guaranteed education loans. Since that time, student loan volume has grown from $1 billion a year to $25 billion a year. Sallie Mae has been instrumental in fostering this expansion of the student loan program. With securitization and 42 secondary markets, there now exist numerous alternatives for lenders wishing to sell or liquidate their portfolios of student loans. Maintaining Sallie Mae as a government-sponsored enterprise is no longer warranted and exposes taxpayers to an unnecessary liability. The Budget Committee supports legislation under consideration by the Economic and Educational Opportunities Commission to restructure the Student Loan Marketing Association as a private-sector corporation.

FUNCTION 550: HEALTH

This function is composed of the biomedical research services, and health education activities of the United States, including Medicaid, the National Institutes of Health, substance abuse prevention and treatment, and women's health programs.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

FUNCTION 550: HEALTH

HBC Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
FUNCTION TOTALS								
House Budget Committee balanced budget path:								
Budget Authority	116,619	121,942	127,714	132,083	136,683	141,521	146,287	149,070
Outlays	115,755	122,321	127,757	132,205	136,703	141,386	146,182	148,891
DISCRETIONARY	Changes from 1995 Levels							
Indian Health:								
Budget Authority	1,710	0	0	0	0	0	−171	−171
Outlays	1,681	0	0	0	0	0	−125	−171
Indian Health Facilities:								
Budget Authority	258	0	0	0	0	0	−25	−25
Outlays	322	0	0	0	0	0	−8	−18
Substance Abuse and Mental Health Services:								
Budget Authority	21	−21	−21	−21	−21	−21	−21	−21
Outlays	21	−10	−19	−21	−21	−21	−21	−21
Eliminate Unauthorized Rural Outreach Grants Duplicating Other Federal Supported Services:								
Budget Authority	28	−28	−28	−28	−28	−28	−28	−28
Outlays	n/a	−11	−23	−28	−28	−28	−28	−28
Eliminate Maintenance Funding originally Intended for State Offices of Rural Health:								
Budget Authority	4	−4	−4	−4	−4	−4	−4	−4
Outlays	n/a	−2	−3	−4	−4	−4	−4	−4
Eliminate Grants for Administration of State Trauma Care Systems:								
Budget Authority	5	−5	−5	−5	−5	−5	−5	−5
Outlays	n/a	−2	−4	−5	−5	−5	−5	−5
Eliminate Funding for Native Hawaiian Health Care:								
Budget Authority	5	−5	−5	−5	−5	−5	−5	−5
Outlays	n/a	−2	−4	−5	−5	−5	−5	−5
Eliminate Funding for Pacific Basin Initiative:								
Budget Authority	1	−1	−1	−1	−1	−1	−1	−1
Outlays	n/a	−1	−1	−1	−1	−1	−1	−1

FUNCTION 550: HEALTH—Continued

HBC Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Reduce Ineffective Funding for the National Service Corps:								
Budget Authority	125	−63	−63	−63	−63	−63	−63	−63
Outlays	n/a	−30	−56	−63	−63	−63	−63	−63
Terminate Chiropractic Demonstration Grants:								
Budget Authority	1	−1	−1	−1	−1	−1	−1	−1
Outlays	n/a	0	−1	−1	−1	−1	−1	−1
Remove Duplicative Funding for Centers of Excellence:								
Budget Authority	23	−23	−23	−23	−23	−23	−23	−23
Outlays	n/a	−11	−21	−23	−23	−23	−23	−23
End Department of Health and Human Services' Funding for the Office of Rural Health Policy:								
Budget Authority	13	−13	−13	−13	−13	−13	−13	−13
Outlays	n/a	−6	−12	−13	−13	−13	−13	−13
Eliminate Federal Funding for Non-Essential Health Facilities Construction:								
Budget Authority	15	−15	−15	−15	−15	−15	−15	−15
Outlays	n/a	−7	−13	−15	−15	−15	−15	−15
Eliminate Subsidies to Institutions for Health Professions Education:								
Budget Authority	287	−287	−287	−287	−287	−287	−287	−287
Outlays	n/a	−138	−255	−287	−287	−287	−287	−287
Streamline Administrative Costs for Selected Offices in the Department of Health and Human Services:								
Budget Authority	480	−24	−24	−24	−24	−24	−24	−24
Outlays	n/a	−10	−18	−22	−23	−24	−24	−24
Phase Out Duplicative Funding for Injury Control Research:								
Budget Authority	44	−11	−22	−33	−44	−44	−44	−44
Outlays	n/a	−4	−12	−22	−33	−40	−44	−44
Eliminate Redundant Functions of the National Institute of Occupational Safety and Health (NIOSH):								
Budget Authority	133	−33	−67	−100	−133	−133	−133	−133
Outlays	n/a	−12	−37	−67	−101	−122	−133	−133
Reduce Federal Funding for Community Support Demonstrations:								
Budget Authority	24	−5	−12	−18	−24	−24	−24	−24
Outlays	n/a	−2	−7	−13	−20	−23	−24	−24
Terminate Federal Funding for Physical Fitness and Sports:								
Budget Authority	1	−1	−1	−1	−1	−1	−1	−1
Outlays	n/a	−1	−1	−1	−1	−1	−1	−1
Eliminate Funding for Clinton Health Security Act Data Analysis:								
Budget Authority	3	−3	−3	−3	−3	−3	−3	−3
Outlays	n/a	−1	−2	−3	−3	−3	−3	−3
Eliminate Federal Funding for the Agency for Health Care policy Research:								
Budget Authority	139	−139	−139	−139	−139	−139	−139	−139
Outlays	125	−42	−119	−139	−139	−139	−139	−139

FUNCTION 550: HEALTH—Continued

HBC Policy Assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Encourage Prioritization of NIH-Supported Research Funding by Five (5) Percent:								
Budget Authority	11,330	−566	−566	−566	−566	−566	−566	−566
Outlays	11,040	−243	−521	−566	−566	−566	−566	−566
Reduce Maternal and Child Health Care Block Grant and Preventive Health Services Block Grant:								
Budget Authority	684	−421	−421	−421	−421	−421	−421	−421
Outlays	670	−193	−363	−415	−421	−421	−421	−421
Reform the Consumer Product Safety Commission:								
Budget Authority	43	−11	−11	−11	−11	−11	−11	−11
Outlays	42	−9	−11	−11	−11	−11	−11	−11
Transfer Mine Safety and Health Administration to OSHA, Cut 20%:								
Budget Authority	515	−103	−103	−103	−103	−103	−103	−103
Outlays	513	−90	−103	−103	−103	−103	−103	−103
Medicaid Block Grant:								
Budget Authority	89,216	7,137	12,437	16,503	20,732	25,130	29,703	32,021
Outlays	89,216	7,137	12,437	16,503	20,732	25,130	29,703	32,021
Increase User Fees on Products Regulated by the FDA:								
Budget Authority	n/a	−86	−93	−97	−101	−105	−108	−112
Outlays	n/a	−86	−93	−97	−101	−105	−108	−112
Drug Treatment CEP Creation, Title VI:								
Budget Authority	n/a	0	95	95	95	95	95	95
Outlays	n/a	0	43	76	95	95	95	95
Drug Treatment NIDA Creation, Title VI:								
Budget Authority	n/a	0	5	5	5	5	5	5
Outlays	n/a	0	2	4	5	5	5	5

Discussion of Policy Assumptions

DISCRETIONARY SPENDING

Reduce Grants for Indian Health Facilities. Savings from this provision are in conjunction with the Native American Block Grant described in Function 450.

Reduce Substance Abuse and Mental Health Services. The savings from this provision are incorporated in the Job Training Block Grant described in Function 500.

Eliminate Unauthorized Rural Outreach Grants Duplicating Other Federally Supported Services. The Rural Outreach Grants funded by the Health Resources and Services Administration fund local consortia of rural health care providers to coordinate and enhance the availability of health services. The program has never been specifically authorized, and the funds were terminated in the fiscal year 1995 rescission bill. Services can be supported through community health centers, Maternal Child Health Block Grant, Medicaid, and other programs.

Eliminate Maintenance Funding Originally Intended to Establish State Offices of Rural Health. Funding for State Offices of Rural

Health was intended to help States establish, not maintain, offices. None of the funding goes for the direct provision of care to patients. All 50 States have received grants and therefore States can continue these offices if they believe they are useful. These funds were terminated in the fiscal year 1995 rescission bill.

Eliminate Grants for Administration of State Trauma Care Systems. This program provides grants to States to develop statewide trauma care and emergency medical service systems, but none of the funding goes for the direct care of patients; rather it funds State bureaucracies. Services are duplicative of those provided through the Preventive Health Services Block Grant. These funds were terminated in the fiscal year 1995 rescission bill.

Eliminate Funding for Native Hawaiian Health Care. The program was created to provide primary care services and disease prevention services for native Hawaiians. Hawaii has a highly developed employer-based health service system which provides coverage to residents not insured through the employer mandate. These funds were terminated in the fiscal year 1995 rescission bill.

Eliminate Funding for Pacific Basin Initiative. This program provides funds to build health preventive services capacity in Pacific territories and to train Health professionals. The territories receive funding under the Preventive Health Services Block Grant and residents can participate in the regular health professions training program funded by the Health Resources and Services Administration [HRSA] of HHS. These funds were terminated in the fiscal year 1995 rescission bill.

Reprioritize Ineffective Funding for the National Health Services Corps. The NHSC attempts to alleviate the shortage of health care professionals by recruiting physicians and other health care professionals to provide primary care services in what are designated as "Health Professional Shortage Areas." The NHSC is fraught with waste and abuse. The program spends $41,290 per health professional recruited with no discernable affect on staffing rural areas with physicians. GAO testified that the Department of HHS has no long-term retention data to judge the impact of the program. These funds were terminated in the fiscal year 1995 rescission bill. This proposal would reduce the funds by 50 percent.

Terminate Chiropractic Demonstration Grants. The Chiropractic Demonstration Grants funds the Palmer Chiropractic School to conduct chiropractic demonstrations. This is not a national priority.

Remove Duplicative Funding for Centers of Excellence. This program was established to fund institutions that train minority health professionals. Institutional aid for postsecondary study is available under several other programs in HHS and the Department of Education, such as health careers opportunity programs and Financial Assistance for Disadvantaged Health Professionals Students Programs.

End Department of Health and Human Services Funding for the Office of Rural Health Policy. HHS' Office of Rural Health Policy serves to improve the delivery of health services to rural communities and populations. The funds, terminated in the fiscal year

1995 rescission bill, only support State bureaucracies. Similar research is conducted at HCFA.

Eliminate Federal Funding for Nonessential Health Facilities Construction. The 1995 appropriation provided funding for two construction projects; one in Pennsylvania and one in West Virginia. Given nationwide needs, it is not appropriate to award special funding for these localities. These funds were terminated in the fiscal year 1995 rescission bill.

Eliminate Subsidies to Institutions for Health Professions Education. This proposal eliminates subsidies for primary care training, nursing education, and minority and economically disadvantaged students. Market forces provide strong incentives for individuals to seek training and jobs in health professions, and incentives are continuing to rise per capita. Also subsidies go mainly to institutions and do not go to students.

Streamline Administrative Costs for Selected Offices in the Department of Health and Human Services. Salaries and expense accounts should be reduced as programs and functions are consolidated and reformed. This proposal reduces S&E expenditures 5 percent for the following HHS offices: Health Resources and Services Administration [HRSA], Substance Abuse and Mental Health Services Administration [SAMHSA], Centers for Disease Control, the Office of the Director of the National Institutes of Health, and the Office of the Assistant Secretary for Health.

Phase Out Duplicative Funding for Injury Control Research. This program supports research to identify risk factors to prevent injuries, deaths, and disabilities resulting from nonwork related environments. It is questionable whether this activity is central to Center for Disease Control's mission. The program received a 14-percent increase in fiscal year 1995. Further, goals appear to duplicate existing efforts and programs run by other agencies such as Department of Transportation, Department of Commerce, or the Department of Justice. The proposal would decrease funding 25 percent, 50 percent, and 75 percent, and eliminate funding over a 4-year period. These funds were terminated in the fiscal year 1995 rescission bill.

Eliminate Redundant Functions of the National Institute of Occupational Safety and Health [NIOSH]. NIOSH is responsible for "conducting research and making recommendations for the prevention of work-related illnesses and injuries." It is questionable whether this constitutes a "disease" and hence its CDC location. Also, the program duplicates functions of the Occupational Safety and Health Administration [OSHA]. Any nonduplicative functions should be moved to OSHA. The proposal would decrease funding 25, 50, and 75 percent over the 5 year period. These funds were cut in the fiscal year 1995 rescission bill.

Reduce Federal Funding for Community Support Demonstrations. This program provides funding to demonstrations seeking to determine appropriate community-based alternatives for chronically mentally ill patients; increase the effectiveness of services and statewide service systems of care; and promote service system improvements. The community-based alternative should stay in the community; it does not require Federal funds. Further, the other functions should be handled within the mental health block grant, which received $275 million in fiscal year 1995. Funding would be decreased 20 percent, 50 percent, 75 percent, and 100 percent over 4 years.

Terminate Federal Funding for Physical Fitness and Sports. The purpose of this program is to improve the public's health and fitness through sports and athletic programs. The council has demonstrated no notable impact on the Nation's health.

Eliminate Funding for Clinton Health Security Act Data Analysis. These are funds appropriated to assist the President with the National Health Security Act. Because the act was not passed these funds are no longer needed. These funds were cut in the fiscal year 1995 rescission bill.

Eliminate Federal Funding for the Agency for Health Care Policy Research. The agency is supposed to support research and information dissemination on health care services and technology, medical effectiveness, and patient outcomes, but performed an advocacy role in the health care debate the past 2 years while its funding increased from $125 million in 1992 to $163 million in 1994. The administration requests $202.4 million for fiscal year 1996. Guidelines can be developed elsewhere in the Health Resources and Services Administration [HRSA]. Other legitimate functions duplicate of research in other agencies.

Encourage Prioritization of NIH-Supported Research Reducing Funding 5-Percent. Under this proposal, NIH would have flexibility to prioritize this 5 percent reduction. CBO included a 10-percent reduction from the 1995 funding level in its spending and revenue options book. Between 1984 and 1994, NIH expenditures more than doubled.

Reduce Maternal and Child Health Care Block Grant and Preventive Health Services Block Grant. The 1995 appropriation provides approximately $842 million in block grants for programs in maternal and child health. The grants subsidize programs providing services for preventive health care, prenatal care, health assessments for children, rehabilitative services for blind and disabled children, and community-based services for children with special health care needs. Because the Federal commitment to other programs directed toward maternal and child health and preventive health services has increased substantially in recent years, these block grants are not essential.

Streamline Consumer Product Safety Commission [CPSC]. The Consumer Product Safety Commission's role as a Federal agency is to protect the public against "unreasonable risks of injury and death from consumer products." Streamlining the Commission would have little or no affect on consumer product safety because, in most cases, the market place is a more effective means of monitoring the safety of consumer products. The Commission is up for reauthorization this year. This proposal assumes reduction in Commission staff consistent with a plan being developed by the Committee on Commerce.

Transfer Mine Safety and Health Administration to the Occupational Safety and Health Administration, and Reduce the Combined Agency by 20 percent. The Mine Safety and Health Administration protects the safety and health of miners. The Occupational Safety and Health Administration performs much the same role in promulgating health and safety standards for non-mining industries. According to a recent report by the Heritage Foundation, this separate treatment is unnecessary. "Of the 6,271 job-related fatalities, only 80, or 1.3 percent, occurred in the coal/metal-nonmetal mining industry," the report said. "In contrast, 15 percent of the fatalities took place in construction, 14 percent in agriculture, and 12 percent in manufacturing." Yet none of these industries has a separate agency to oversee safety and health.

MANDATORY SPENDING

Transform Medicaid to a Program of Block Grants to States. This proposal would convert the current Medicaid program into a system of block grants to States. States then would add their own funds to the Federal contribution to provide health care for low-income residents. The proposal also calls for restraining the growth of Federal outlays for Medicaid, which is more manageable under the block grant approach than under the current Washington-run system. Under the block grant, States will have the flexibility to create innovative health care programs for their low-income citizens.

—*Background on Medicaid.* Medicaid is the Nation's health care financing system for the poor. It is a joint Federal/State program, with States matching Federal funds. The matching rate is determined by the State's per capita income. States pay from 21 cents (for poor States) to 50 cents (for wealthy States) on each dollar spent. States administer the program, subject to Federal guidelines. Medicaid spending has been exploding, growing at an average annual rate of 19.1 percent between 1990 and 1994. During 1991 Federal Medicaid outlays grew by 27.8 percent. They grew another 29.1 percent in 1992. For fiscal year 1995, CBO estimates that Federal payments will be $89.2 billion and State payments will be an additional $67.3 billion, for a total of $156.5 billion. The fiscal year 1995 Federal payments include disproportionate share hospital payments of $8.5 billion. These are supplemental payments to hospitals that provide a disproportionate share of medical care to low-income populations, such as Medicaid and indigent patients. CBO projects Federal Medicaid payments rising by 11.3 percent in fiscal year 1996, moderating slightly to an increase of 9.3 percent in fiscal year 2002.

—*Illustrative Option.* A Medicaid balanced budget growth path has been developed. One option is that the increase in Medicaid payments would be restrained to 8 percent in fiscal year 1996, 5.5 percent in fiscal year 1997, and 4 percent a year thereafter. That is, using the fiscal year 1995 Federal payments as a base, the fiscal year 1996 Federal Medicaid block grant payment would be the fiscal year 1995 level increased by 8 percent in fiscal year 1996, 5.5 percent in fiscal year 1997, and so on. The 8–5.5–4 et cetera, option would still increase Federal Medicaid grants. Over the 7 year period, fiscal year 1996 through 2002, a total of $770.6 billion would be spent by the Federal Government. The Federal grant in fiscal year 2002 would be $123.7 billion, compared with a fiscal year 1995 outlay of $89.2 billion estimated by CBO. States would continue to match the Federal block grant dollars. Federal payments to the States would rise each year, but the growth would be constrained. After several years, the states will have had adequate time to phase in fully the various efficiency measures they elect to implement under the block grant, such as use of coordinated care and payment reform. Therefore, the Budget Committee assumes Federal Medicaid outlays are reduced by an additional $2.5 billion by 2002.

Some argue that the current distribution of funds among the States is not fair. They note that some States receive much higher payments per Medicaid recipient than others; that some States receive a high level of disproportionate share hospital funds while others do not; and that some States can expect rapid growth in the number of Medicaid recipients while other States expect declines. But block granting is conceptually separate from the formula used to distribute the block grant funds. An infinite number of alternatives could be used to distribute funds among the States. The Committee does not assume any particular distribution of funds among the States within the total Federal funding levels specified. This resolution is compatible with using either the current distribution of funds among the States or any alternative. To assist in this effort the Committee has requested a GAO study of alternative funding formulas.

—*Rationale for a Medicaid Block Grant.* Congress cannot balance the budget unless spiraling Medicaid costs are brought under control. Many are convinced that the problem cannot be solved in Washington. A Medicaid block grant would allow the Federal Government to establish budgetary control over its share of Federal payments for Medicaid. In contrast, currently Medicaid requires the Federal Government to pay its preestablished share of whatever is spent. The more that is spent the more the Federal Government pays. A block grant strategy would encourage States to establish efficient and effective programs; it will discourage them from spending more to get more. By allowing the States to design their own programs, the unique needs of the various States, as they see them, will be served. Public policy in this area will be made by States and localities. This approach recognizes that no one knows which Medicaid program will work best in all of the 50 States, the District of Columbia, and the 5 territories. The only way to find out is to avoid Federal preconditions that limit the discretion of local authorities.

Increase User Fees on Products Regulated by the FDA. This proposal would increase the level of fees charged by the Food and Drug Administration [FDA]. The Prescription Drug User Act of 1992 established application fees and set a projected revenue schedule. The FDA charges a fee of $208,000 for each new drug application. The fee is $104,000 for each generic drug and supplemental application. In addition, pharmaceutical firms that have a new drug application pending with the FDA at any time since September 1992 must pay an annual fee of $126,000 per manufacturing establishment and $12,500 per product on the market. In 1995, those fees are scheduled to raise $75 million, covering about 20 percent of the FDA's expenditures on regulating prescription drugs. The fees will increase slightly through 1997, when they are scheduled to raise $94 million. This proposal would increase fees by 40 percent. The Food, Drug, and Cosmetic Act requires that firms register all new medical devices before they are marketed and obtain FDA approval for certain types of new medical devices (class III). Currently, manufacturers of medical devices do not pay fees to the FDA. Recent legislation proposed submission fees for the approval and registration of new medical devices and products. This proposal would charge fees of $60,000 for the application of each new medical device and $6,000 for new products registered, covering 20 percent of the costs of regulating the medical device industry. Finally, the food industry would be charged user fees to cover about 10 percent of the FDA's costs of regulating the industry. The FDA inspects domestic food processors, analyzes more than 17,000 domestic food samples a year, and monitors the quality of seafood. This proposal assumes that domestic food processors employing more than 250 people and processing all foods except meat and poultry would pay an annual fee of $10,000. This proposal also assumes that the FDA will charge each domestic establishment employing 100 to 249 people an annual fee of $5,000. In addition, it is assumed that performance parameters will be implemented to monitor the effectiveness of the FDA's operations.

Create Two Drug Treatment Programs Through the National Institutes of Health. These two programs are created under title VI of the welfare reform plan [Note: See Function 600].

FUNCTION 570: MEDICARE

FUNCTION 570: MEDICARE

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
FUNCTION TOTALS								
House Budget Committee balanced budget path:								
Budget Authority	162,636	177,555	186,598	195,875	206,299	214,773	224,421	234,635
Outlays	161,055	175,237	185,047	194,210	203,735	212,925	222,389	232,399
MANDATORY	Changes from 1995 Levels							
Save Medicare from Bankruptcy:								
Budget Authority	162,636	14,919	23,962	33,239	43,663	52,137	61,785	71,999
Outlays	161,055	14,182	23,992	33,155	42,680	51,870	61,334	71,344

THE MEDICARE FINANCING CRISIS

Medicare is facing bankruptcy. On April 3, 1995, the Social Security and Medicare Trustees reported that the Federal Hospital Insurance Trust Fund (Medicare Part A)—which pays for hospital and other institutional care for Medicare beneficiaries and which is funded by the Medicare payroll tax will run out of money in 7 years, or by 2002, under current law. The report also stated:

> The Trustees urge the Congress to take additional actions designed to control hospital insurance [HI] program costs and to address the projected financial imbalance in both the short range and the long range through specific program legislation as part of broad-based health care reform. The Trustees believe that prompt, effective, and decisive action is necessary.

Despite the urgency of this message, in the letter of transmittal to the Speaker of the House of Representatives, the trustees wrote: "We are not making any specific recommendations for improving the status of the fund at this time." Rather, they recommended only the reestablishment of a commission.

The Congressional majority recognizes the importance of addressing Medicare's financial problems in a bipartisan manner and with the Executive and Legislative branches working together. But after repeated invitations from the Speaker asking the President to join Congress in addressing this crisis, the President has refused to offer any solutions to rescue current—much less future—Medicare beneficiaries from losing their health care insurance. Therefore, on May 10, the Ways and Means Committee reported a bill, H.R. 1590, to require the Board of Trustees for the Federal Hospital Insurance and Supplementary Medical Insurance Trust Funds to submit specific legislative recommendations to the Congress on how to resolve the financial crisis facing Medicare. The Medicare trustees, one of whom is the Secretary of Health and Human Services and overseer of the Medicare program, are clearly in a strong position to provide guidance to the Congress on alternatives to preserve the program.

The Concurrent Resolution on the Budget for fiscal year 1996 includes 7-year spending amounts consistent with those necessary to extend the solvency of the Medicare Part A Trust Fund. These amounts would allow Medicare spending to grow from $178 billion in 1995 to $259 billion in 2002. This represents $337 billion of cumulative increases in Medicare funding.

In addition to their warning of the impending bankruptcy of the Medicare Part A Trust Fund, the Trustees also noted with great concern, the past and projected rapid growth in the cost of the [Medicare Part B trust fund] program. The Medicare Part B trust fund pays for Medicare physician bills and other outpatient expenses and is funded in part through beneficiary premiums and in larger part from general fund revenues. Currently, the beneficiary contribution to the Part B trust fund is 31 percent of total costs. But a provision in OBRA 1993 will reduce the beneficiary share in 1996 from 31 percent to 25 percent—leaving the taxpayers to pay the remaining 75 percent less a small fraction the trust fund receives in interest. This contribution to Medicare from the general revenue fund amounted to $37 billion in 1994 and will increase to $59 billion in 1996. The Trustees warn that this amount is growing rapidly and is scheduled to grow by 14.3 percent in 1995 and 13.4 percent in 1996—an unsustainable growth rate and one unlike any other major program in the Federal budget.

Modifying the Medicare Part A program to make the trust fund solvent will necessarily result in modification to the Part B program as well. Over the next 7 years, Medicare Part B spending represents roughly 40 percent of total Medicare spending. The budget resolution assumes that the changes necessary to keep HI solvent will result in proportional savings in the Medicare Part B program.

MEDICARE PAYROLL TAX, GENERATIONAL TRANSFER

In the effort to save Medicare, an issue of fairness must also be addressed. Increasing taxes on workers has been a principle method of shoring up the Medicare program in the past. The costs of this program must not simply be covered by continual increases in rates of taxation on future generations. This Congress will not consider a tax increase as a solution, in part or in whole, for resolving the shortage of funding for the Medicare program. Currently, a family with median income already is paying $1,100 a year to the Medicare Part A Trust Fund. An individual qualifying for Medicare this year is projected to receive four times the amount in benefits than he or she will ever have paid into the program in the form of payroll taxes, premiums, deductibles and other beneficiary cost sharing. Indeed, many beneficiaries are more financially secure than those paying taxes to support the Medicare program.

Extending the life of the Medicare Part A trust fund beyond 2002 is only the first of two crises that must be confronted. The government also must prepare for a major demographic shift in the ratio of the number of workers who pay the payroll tax to the number of retirees receiving Medicare benefits once the baby boom generation begins retiring around 2010. Currently, four workers support every Medicare beneficiary. By 2030, the last of the baby boomers will have retired and the entire baby boom generation will be ages 65 to 85—and dependent upon Medicare for their health care insurance. By then, there will be only about 2½ workers supporting each beneficiary.

It is clear that the financial status of Medicare is unstable and that the course of this important program must be changed if it is to be preserved. Although the President and many Congressional Democrats have made no effort to address this problem, later this year this Congress will present the President a bill to save the Medicare program.

THREE ILLUSTRATIVE PLANS

The Congress is confident that Medicare can be preserved for long-term viability and, at the same time, improved to provide better health care for Medicare beneficiaries. Although the 1960's-style Medicare program is growing at more than 11 percent a year and providing beneficiaries with limited options or incentives to seek better health care, innovative health delivery systems in the private sector effectively contained costs at 4.4 percent growth last year while providing a high level of recipient satisfaction. Clearly Medicare, too, can provide good health care more cost effectively—and four Budget Committee members have analyzed three possible strategies for doing so.

Each of these approaches has been recognized by the Congressional Budget Office as a viable way to extend the solvency of the Medicare trust fund and to reduce the growth of Medicare spending to a rate that is more consistent with that of health care in the private sector. These three plans, discussed briefly below, are only illustrative examples of ways to preserve the Medicare program and have been offered as such to the Committee on Ways and Means and the Committee on Commerce which share jurisdiction for the Medicare program.

Three main principles were used as a guide during the development of these plans: First and foremost, fee-for-service Medicare must remain an option for those individuals who wish to choose it. Second, the Medicare program should keep pace with the private insurance system, and beneficiaries should be able to maintain the same kinds of insurance arrangements in Medicare that they had during their working years. Finally, beneficiaries should have a greater choice of health care plans, such as a variety of coordinated care and indemnity options as well as medical savings accounts.

Under the three approaches below, spending on every Medicare beneficiary would increase from an average of about $4,800 today to an average of about $6,400 in 2002. Total program spending would be allowed to grow from $178 billion in 1995 to $259 billion—a 7-year increase of 45 percent. These options would open the way for the health care industry to create a multitude of new choices for beneficiaries and would empower beneficiaries to select health care that is tailored to their precise needs.

Plan A. The first plan includes proposals that would eliminate waste and overpayments to Medicare providers and would motivate them to practice more cost effectively by bringing market principles to Medicare. Currently there are few incentives in the Medicare payment system to encourage efficiency and to eliminate waste. Medicare beneficiaries strongly, and correctly, perceive that Medicare has great room for improvement in the area of waste and overspending. In a letter to the Chairman of the Budget Committee, reproduced below, Mr. Dale Wheelburger of North Carolina expressed his concern about a hospital bill for almost $50,000 that Medicare paid—without question—for services provided to his sister-in-law during a 2-day hospital stay, the last 2 days of her life. One of the proposals presented in this option would allow Medicare beneficiaries the opportunity to share in the savings if they detect on their bills that Medicare has been overcharged or has paid for a service or product that was not provided or not warranted.

Elizabeth City, NC, January 15, 1995.

Hon. JOHN R. KASICH,
Chairman, House Committee on the Budget,
Washington, DC.

DEAR SIR: Enclosed is a copy of a Medicare and Blue Cross claim.

My sister-in-law was in Sentara Norfolk General Hospital 8/4/94–8/5/94—less than two days. She died on 8/5/94 about 5 p.m. The hospital charged $49,435.67 and Medicare paid all without question.

According to what I have read in our local newspaper, you want to cut Medicare about 20 percent. In my opinion you, your department and colleagues need to question hospitals like you do doctors (approve amounts). I would like you to know what services was performed for $50,000. This is just one-person charges. I hate to see you people always looking for ways to hurt senior citizens. Why don't you look at all the perks Congress and Senate get. I would like for you to respond or have someone do so.

Sincerely,

DALE WHEELBERGER.

Also included in this first approach are several proposals to encourage beneficiaries to choose plans based on cost-effectiveness and quality and to motivate coordinated care organizations and other private health care plans to participate in the Medicare program. One proposal under this plan, would make it possible for beneficiaries to choose from a variety of health care delivery systems, some of which will eliminate much of the cost sharing beneficiaries are now paying under fee-for-service Medicare. Beneficiaries would, however, retain the option to remain in the traditional fee-for-service Medicare. Another proposal would provide private plans flexibility to offer Medicare beneficiaries more choices for health care delivery than Medicare laws currently allow, such as preferred provider organizations, point of service plans, medical savings accounts, and indemnity plans that "carve out" high cost services and deliver them in a more efficient manner. These proposals would convert the Medicare program into a system somewhat similar to the health care system now used by Federal employees. Medicare will contribute to the plans beneficiaries choose, and the beneficiary will receive a rebate or pay an additional amount depending on the cost of the plan.

Another proposal included in this path would reduce the Medicare subsidy for individual beneficiaries receiving over $70,000 in annual income and couples receiving over $90,000 in income.

Plan B. A second possible approach for achieving solvency would immediately convert Medicare from an open-ended entitlement to a system in which every Medicare beneficiary would receive a contribution from Medicare to purchase the health care plan of their choice. Choices would include a broad range of plans with varying levels of coverage. Again, beneficiaries would pay extra if the plan they chose was more costly than the amount of the Medicare contribution, and would receive a rebate if they chose a plan that cost less than the amount of the Medicare contribution.

Private plans available for purchase by Medicare beneficiaries would include indemnity plans, HMO's, preferred provider organizations, point-of-service plans, and medical savings accounts, as well as other innovative insurance products. Any plan available in the market to be purchased with a Medicare contribution would be required to include catastrophic coverage for costs over $10,000. Plans also would be required to meet a minimal set of other eligibility requirements, including quality review, in order to prevent marketing abuses. Medicare could continue to offer the traditional fee-for-service Medicare program by determining the individual actuarial value of the program and allowing beneficiaries to purchase it with their Medicare contribution.

The value of the Medicare contribution would be determined by setting total Medicare expenditures at a growth rate of 9 percent in 1996, and an average of 5.4 percent over 7 years. The contribution would be adjusted based on the beneficiaries' age, gender, geographic location, and disability status.

Plan C. Finally, a third approach for preserving the Medicare program would rely on many of the proposals that are included in the first path discussed above. Most of these proposals to reduce growth would be phased in if—and only if—anticipated savings were not achieved from increased enrollment in private plans. Under this approach, an initial set of provisions designed to reduce the growth in provider payments, increase efficiency in provider services, and motivate beneficiaries to choose private care plans would be immediately implemented. Simultaneously, beneficiaries will be given the opportunity to enroll in a broad variety of private plans while still having the option to remain in fee-for-service Medicare. Payment to these plans will be made through a Medicare contribution based on today's per beneficiary rate set to grow at an average of 5.4 percent per year over 7 years. Beneficiaries would receive a rebate if the plan they chose costs less than this contribution, or would pay a premium if the plan they choose costs more than the amount of the Medicare contribution.

Under this third plan, it is assumed that growth in Medicare spending would be reduced through an initial set of savings proposals and through increased enrollment in private plans. If expected growth reductions are not achieved, an additional set of provider and beneficiary savings provisions will be automatically implemented each year to further reduce growth in the program.

Clearly, there are many ways to preserve Medicare for current beneficiaries and for future generations. Fraud and abuse must be controlled. Incentives for beneficiaries to choose cost effective, quality health coverage must be implemented. The payment system that promotes wasteful spending must be reformed. Although there are many paths to achieve Medicare solvency, one point is certain: Medicare must be preserved. This budget resolution reflects a commitment to moving the process forward in this Congress, and demonstrates that what needs to be done can be done.

FUNCTION 600: INCOME SECURITY

This function includes benefits to Federal retirees and railroad retirees; unemployment benefits; low-income housing; food-stamps; school lunch subsidies; and financial assistance to low-income groups including families with children, the disabled, the elderly, refugees, and households with high energy costs.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

FUNCTION 600: INCOME SECURITY

House Budget Committee policy assumptions	1995	1996	1997	1998	1999	2000	2001	2002
FUNCTION TOTALS								
House Budget Committee budget path:								
Budget Authority	219,939	222,655	231,777	248,398	255,418	265,935	267,624	277,575
Outlays	222,221	224,952	235,273	243,883	254,304	267,631	268,978	279,052
	Changes from 1995 Levels							
DISCRETIONARY								
Reduce Rural Rental Assistance:								
Budget Authority	523	−52	−52	−52	−52	−52	−52	−52
Outlays	454	−3	−9	−16	−24	−31	−31	−31
Renew Section 8 Assisted Housing Contracts:								
Budget Authority	14,621	4,941	5,551	13,026	10,042	8,728	8,728	8,728
Outlays	20,538	−901	366	2,659	4,335	5,564	5,605	6,063
Deregulate Public Housing Authorities, Enabling Them to More Efficiently Use Operating Funds:								
Budget Authority	2,900	−145	−290	−435	−580	−725	−870	−1,015
Outlays	2,701	−67	−210	−355	−500	−645	−790	−935
Deregulate Public Housing Authorities and Reduce Modernization Funds:								
Budget Authority	n/a	−541	−541	−541	−541	−541	−541	−541
Outlays	n/a	0	−54	−176	−268	−360	−447	−447
Housing for people with Aids (HOPWA) (Focus funding for development, housing and special populations):								
Budget Authority	186	−14	−28	−28	−28	−28	−28	−28
Outlays	77	0	−5	−15	−23	−27	−28	−28
Innovative Homeless Initiative (Focus funding for development, housing and special populations):								
Budget Authority	0	−3	−5	−5	−5	−5	−5	−5
Outlays	12	−1	−1	−3	−4	−5	−5	−5
Supportive Housing (Focus funding for development, housing and special populations):								
Budget Authority	34	−3	−7	−7	−7	−7	−7	−7

FUNCTION 600: INCOME SECURITY—Continued

House Budget Committee policy assumptions	1995	1996	1997	1998	1999	2000	2001	2002
Outlays	113	0	−1	−4	−6	−6	−7	−7
Homeless Assistance Grants (Focus funding for development, housing and special populations):								
Budget Authority	904	−90	−181	−181	−181	−181	−181	−181
Outlays	18	−3	−33	−96	−150	−175	−181	−181
Emergency Shelter Grants (Focus funding for development, housing and special populations):								
Budget Authority	156	−16	−31	−31	−31	−31	−31	−31
Outlays	88	0	−6	−17	−26	−30	−31	−31
Supplemental Assistance For Facilities To Assist Homeless (Focus funding for development, housing and special populations):								
Budget Authority	0	0	0	0	0	0	0	0
Outlays	7	0	0	0	0	0	0	0
Eliminate the Homeownership and Opportunity for People Everywhere (HOPE) Block Grants (This proposal DOES NOT interact with the Youthbuild proposal.) (Focus funding for development, housing and special populations):								
Budget Authority	1,450	140	−280	−280	−280	−280	−280	−280
Outlays	909	−4	−50	−148	−232	−270	−280	−280
Housing for the Disabled (Focus funding for development, housing and special populations):								
Budget Authority	370	−37	−74	−74	−74	−74	−74	−74
Outlays	121	−1	−13	−39	61	−71	−74	−74
Housing for the Elderly (Focus funding for development, housing and special populations):								
Budget Authority	1,223	−122	−245	−245	−245	−245	−245	−245
Outlays	660	−4	−44	−130	−203	−236	−245	−245
HOPE Grants (Focus funding for development, housing and special populations):								
Budget Authority	62	−5	−10	−10	−10	−10	−10	−10
Outlays	90	−2	−5	−8	−10	−10	−10	−10
National Homeownership Trust (Focus funding for development, housing and special populations):								
Budget Authority	50	−5	−10	−10	−10	−10	−10	−10
Outlays	0	0	−2	−5	−8	−10	−10	−10
Indian Housing Loan Guarantees (Focus funding for development, housing and special populations):								
Budget Authority	3	0	0	0	−1	−1	−1	−1
Outlays	2	0	0	0	0	0	−1	−1
Section 8 Property Disposition Savings:								
Budget Authority	550	−531	−531	−531	−531	−531	−531	−531

FUNCTION 600: INCOME SECURITY—Continued

House Budget Committee policy assumptions	1995	1996	1997	1998	1999	2000	2001	2002
Outlays	1,503	−1	−17	−42	−66	−94	−113	−140
Transfer the Role of Encouraging Low Income Homeownership from the Federal Deposit Insurance Corporation:								
Budget Authority	15	−15	−15	−15	−15	−15	−15	−15
Outlays	15	−9	−15	−15	−15	−15	−15	−15
Stop Extending Federal Subsidies Through the Low-Income Housing Preservation Program:								
Budget Authority	168	−168	−168	−168	−168	−168	−168	−168
Outlays	82	−2	−17	−40	−64	−87	−111	−134
Stop Subsidizing the Wasteful and Costly Rehabilitation of public Housing Units that Would Be Better Off Demolished:								
Budget Authority	500	−500	−500	−500	−500	−500	−500	500
Outlays	30	0	−25	−150	−250	−350	−375	−400
Family Investment Centers (Duplicative and Wasteful Programs in HUD):								
Budget Authority	25	−25	−25	−25	−25	−25	−25	−25
Outlays	6	0	−6	−12	−24	−25	−25	−25
Congregate Services (Duplicative and Wasteful Programs in HUD):								
Budget Authority	25	−25	−25	−25	−25	−25	−25	−25
Outlays	9	0	−3	−9	−15	−22	−25	−25
Special Purpose Grants (Duplicative and Wasteful Programs in HUD):								
Budget Authority	277	−277	−277	−277	−277	−277	−277	−277
Outlays	49	−14	−69	−153	−264	−277	−277	−277
Service Coordinators (Duplicative and Wasteful Programs in HUD):								
Budget Authority	95	−95	−95	−95	−95	−95	−95	−95
Outlays	16	0	−43	−95	−95	−95	−95	−95
Transfer Lead Based Paint Abatement Responsibilities to the Environmental Protection Agency:								
Budget Authority	96	−96	−96	−96	−96	−96	−96	−96
Outlays	23	0	−3	−22	−42	−61	−78	−86
End the Youth Sports Program for Public Housing and Reduce Duplicative Law Enforcement Funding by 5 Percent:								
Budget Authority	290	−32	−32	−32	−32	−32	−32	−32
Outlays	214	−18	−32	−32	−32	−32	−32	−32
End the Construction of New Public Housing Units:								
Budget Authority	n/a	−577	−577	−577	−577	−577	−577	−577
Outlays	n/a	0	−31	−125	−234	−368	−471	−568
Eliminate LIHEAP:								
Budget Authority	1,919	−1,919	−1,919	−1,919	−1,919	−1,919	−1,919	−1,919
Outlays	1,556	−1,351	−1,469	−1,469	−1,469	−1,469	−1,469	−1,469
Child Care and Development Block Grant (Welfare Reform):								
Budget Authority	935	−935	−935	−935	−935	−935	−935	−935
Outlays	918	−280	−888	−1,122	−935	−935	−935	−935

FUNCTION 600: INCOME SECURITY—Continued

House Budget Committee policy assumptions	1995	1996	1997	1998	1999	2000	2001	2002
Create Child Care Block Grant (Welfare Reform):								
Budget Authority	0	2,093	2,093	2,093	2,093	2,093	2,093	2,093
Outlays	0	1,884	2,093	2,093	2.093	2,093	2,093	2,093
WIC (Welfare Reform):								
Budget Authority	3,470	−3,470	−3,470	−3,470	−3,470	−3,470	−3,470	−3,470
Outlays	3,447	−3,158	−3,470	−3,470	−3,470	−3,470	−3,470	−3,470
Child Nutrition Administration (Welfare Reform):								
Budget Authority	106	−106	−106	−106	−106	−106	−106	−106
Outlays	107	−95	−106	−106	−106	−106	−106	−106
Create Family Nutrition Block Grant (Welfare Reform):								
Budget Authority	n/a	4,701	4,883	5,046	5,235	5,427	5,616	5,813
Outlays	n/a	4,225	4,854	5,018	5,204	5,396	5,584	5,780
Family Unification (Welfare Reform):								
Budget Authority	76	−76	−76	−76	−76	−76	−76	−76
Outlays	21	−1	−8	−19	−29	−41	−59	−76
Commondity Distribution Increase (Welfare Reform):								
Budget Authority	n/a	111	111	111	111	111	111	111
Outlays	n/a	85	111	111	111	111	111	111
Eliminate the Youthbuild Program (This proposal DOES NOT interact with the HOPE block grant proposals):								
Budget Authority	50	−75	−50	−50	−50	−50	−50	−50
Outlays	102	0	−15	−28	−37	−42	−48	−48
MANDATORY								
Eliminate Extended Unemployment Benefits:								
Budget Authority	21,835	1,205	2,627	4,037	5,494	6,688	7,913	9,192
Outlays	21,835	1,205	2,627	4,037	5,494	6,688	7,913	9,192
Family Support Payments to States, Titles I & VII (Welfare Reform):								
Budget Authority	15,001	−962	−897	−895	−1,035	−1,085	−1,433	−3,267
Outlays	15,001	−1,064	−893	−890	−1,030	−1,080	−1,426	−3,267
Child Nutrition, Title II (Welfare Reform):								
Budget Authority	8,093	−8,093	−8,093	−8,093	−8,093	−8,093	−8,093	−8,093
Outlays	7,985	−7,985	−7,985	−7,985	−7,985	−7,985	−7,985	−7,985
Create School Nutrition Block Grant (Welfare Reform):								
Budget Authority	n/a	6,681	6,956	7,237	7,538	7,849	8,170	8,505
Outlays	n/a	6,013	6,929	7,209	7,508	7,818	8,138	8,472
Food Stamps, Title IV & Title V (Welfare Reform):								
Budget Authority	25,120	974	1,840	1,224	528	−213	−565	−42
Outlays	25,120	974	1,840	1,224	528	−213	−565	−42
Spending Increase for the Food Stamp Program (Welfare Reform):								
Budget Authority	n/a	333	539	611	769	941	1,132	1,362
Outlays	n/a	333	539	611	769	941	1,132	1,362

FUNCTION 600: INCOME SECURITY—Continued

House Budget Committee policy assumptions	1995	1996	1997	1998	1999	2000	2001	2002
Supplemental Security Income (SSI), Titles IV & VI (Welfare Reform) (This proposal DOES NOT interact with the SSI–$20 Exclusion from Income proposal, though they both effect the same account):								
Budget Authority	24,322	−1,264	1,478	4,164	6,905	12,610	17,315	22,340
Outlays	24,322	−1,122	1,522	4,144	6,932	12,631	17,338	22,340
Change Computation of Annuities for New Retirees From High 3 to High 5 and Congressional Pension Reform:								
Budget Authority	37,849	1,275	3,257	5,094	7,050	9,136	11,063	12,790
Outlays	37,849	1,275	3,257	5,094	7,050	9,136	11,063	12,790
Change Computation of Annuity from High-3 to High-5 for New Retirees of the Foreign Service:								
Budget Authority	462	31	65	101	140	183	228	276
Outlays	462	31	65	101	140	183	228	276
Fees for Non-AFDC Child Support Enforcement Services:								
Budget Authority	1,985	−489	−55	360	889	1,470	2,074	2,691
Outlays	1,985	−489	−55	360	889	1,470	2,074	2,691
Reduce the $20 Exclusion from Income in Supplemental Security Income (This proposal DOES NOT interact with the SSI-Welfare Reform proposal, though they both effect the same account):								
Budget Authority	24,322	0	5,187	8,455	11,587	18,217	14,944	22,265
Outlays	24,322	0	5,187	8,455	11,587	18,217	14,944	22,265
Terminate Trade Adjustment Assistance (benefits portion):								
Budget Authority	212	−212	−212	−212	−212	−212	−212	−212
Outlays	212	−212	−212	−212	−212	−212	−212	−212

Discussion of Policy Assumptions

DISCRETIONARY SPENDING

Reduce Rural Rental Assistance. The savings from this provision help finance the Rural Development Block Grant described in Function 450.

Renew Section 8 Assisted Housing Contracts. As part of its mission to assist low-income Americans find affordable housing, the Department of Housing and Urban Development contracts with private owners to subsidize the rent for apartments. Budget authority must be appropriated to cover the expenses for the entire contract period. Over the past 30 years, Congress and HUD have created a maze of programs associated with providing such support. They basically fall into two categories: project-based subsidies and tenant-based assistance. To draw down the level of appropriated budget authority, Congress has gradually shortened the length of the tenant-based contracts. At one time, they were 20 years in duration. By 1995 the contract periods had been reduced to 3 years. Hence budget authority levels are far lower in comparison to the late 1970's and early 1980's, but the contract periods expire more quickly, and new budget authority must be appropriated to maintain the apartment for the low-income tenant. The project-based subsidies are increasing as well, requiring ever more budget authority. The primary problem with this form of assistance is that the rent the Federal Government subsidizes is far in excess of the market levels. The effect of this is skyrocketing budget authority needs. In 1995, $3.3 billion was appropriated to renew expiring contracts. By 2000, to maintain current policies, nearly $20 billion in budget authority will be required just to renew Section 8 contracts. In 1995, the enacted level of funding for the entire department was just over $26 billion of budget authority. Outlay levels do not rise as quickly, but they, too, are rapidly escalating. In 1995, $3.9 billion in outlays went to maintaining existing tenant subsidies. To preserve current policies, more than $9 billion in outlays will be required by 2000. It is not feasible to renew expiring contracts at the 1995 budget authority level and still maintain the three million assisted housing units. Appropriating at the 1995 level would mean 83 percent of assisted households would no longer be subsidized. As many as 50 percent of these units are occupied by tenants who are disabled or elderly. To preserve those assisted households, the program must be reformed. The following proposed reforms for the private project and tenant-based assisted housing programs are designed to lessen the magnitude of the costs associated with these contract renewals.

—*Restrain New Issue of Section 8 Vouchers and Certificates.* In 1994, a total of 4.7 million households had some form of Federal housing assistance. This is a dramatic rise from the 2.4 million households assisted in 1977. Of the overall 1994 figure, 1.4 million housing units are tenant-based. By not issuing new assistance, the rapid rise in costs associated with the program can be reduced. Should the present policy of issuing new assistance be continued, it will cost the Government $9.4 billion over 7 years. By enacting this reform, that cost can be averted.

—*50-Percent Reissue of Vouchers/Certificates.* A certain number of vouchers and certificates are turned in each year by tenants who no longer need the assistance. By reissuing only half of these vouchers and certificates, the Federal Government would achieve significant savings. Reissuing 50 percent would still allow new tenants to obtain assistance and would provide vouchers for unforeseen situations. In light of the rapid increase of assisted housing units over the past 20 years and the magnitude of the spending on this program, HUD should restrain the reissue of vouchers and certificates. This proposal saves over $9 billion relative to reissuing 100 percent of all vouchers returned.

—*Reduce Fair Market Rent From the 45th Percentile to the 40th Percentile of Median Local Rents.* The fair market rent [FMR] is the upper limit on the rent that can be charged in the Section 8 subsidy program. This proposal would reduce total FMRs nationally by about 3 percent. The new calculation would affect residents when they join the program and when they move from one unit to another. The President proposed this reform in his budget.

—*Increase Tenant Contribution From 30 Percent to 35 Percent of Income in the Section 8 Programs.* The Federal Government pays the difference between 30 percent of an assisted tenant's income and the fair market rent of the area. By gradually increasing the amount tenants contribute to their own rent, the Federal Government can reduce overall subsidy levels. Though tenants would pay more of their own rent, the 35 percent would still be far below the 50 percent to 80 percent paid by many unassisted low-income renters. By raising tenant contributions, nearly $7 billion in present policy costs can be avoided over 7 years.

Deregulate Public Housing Authorities, Enabling Them to More Efficiently Use Operating Funds. In 1995, the Federal Government provided public housing authorities with $3 billion to cover operating expenses for public projects. These subsidies are required because of extensive regulation that HUD imposes. If the PHAs are deregulated, allowed to demolish units without physically constructing replacements, allowed to set their own rents, and run the projects in a more efficient manner, these operating expenses can be gradually reduced. Without Federally imposed regulations on rents, tenant preferences, and micro-management of daily operation, low-income Americans can be housed for lower costs. The savings reflects a 5-percent reduction per year over 7 years.

Deregulate Public Housing Authorities and Reduce Modernization Funds. More than $3.7 billion was budgeted for the modernization needs for public housing authorities in 1995. These funds are used for rehabilitation, demolition, or upgrading in operation and management of public housing projects. Again, with deregulation, substantial reductions can be made to this fund. Although PHAs will need support for their modernization needs, savings can be obtained through deregulation. With deregulation, funding from this account can be able to be used more effectively and more expansively. For example, when operation requires supplemental funds, PHAs are presently not allowed to draw on modernization funding. With deregulation, these barriers will be removed. By breaking down the walls between operating funds and modernization funds, PHAs will be better able to use these resources to house low-income tenants. The savings accrue from holding the level of modernization at $3 billion over the 7-year budget period.

Focus Funding for Development, Housing and Special Populations on Low-Income Communities by Creating One or More Block Grants. By consolidating certain HUD programs, the Federal Government can direct funding to States through one or more block grants. This will allow States to concentrate resources on areas and populations whose need is most acute. Programs such as the Community Development Block Grants; HOME; Housing for the Elderly; Housing for the Disabled; HOPE grants; the McKinney programs; the Innovative Homeless Initiative; and Housing for Persons With AIDS would be included. Some of these programs already are administered through the States, but the sheer number of programs, coupled with some that have inefficient and cumbersome regulations and bureaucracy associated with them, creates administrative burdens. Funding would be channeled to States in one or more block grants to be used for economic development, housing construction, or programs for vulnerable populations such as senior Americans, the disabled, and those with AIDS. States would be free to structure programs and assign priorities within broad guidelines set by Congress, but would have to focus the funding on low-income communities. The number and parameters of these block grants can be determined by the Banking Committee at a later time. The funding level reflects an overall 20-percent reduction in the $9 billion cumulative total for the consolidated programs.

Federal Housing Administration.

—*Reform Property Disposition Section 8 Component.* The Federal Government can achieve savings by reforming the rules under which HUD may sell the property that has come into its possession through mortgage default. At present, a foreclosed property may stay in the FHA inventory for years. During the time it is vacant, the property may be vandalized, or used for drug dealing or other criminal activities, or it may generally contribute to the degradation of urban neighborhoods. By reforming the disposition procedures, the Federal Government can achieve budget savings and protect surrounding neighborhoods from deleterious effects generated by longstanding vacant houses. [A twin component of this proposal, concerning FHA multifamily property dispositions, appears in Function 370.]

Other Housing Reforms.

—*Transfer the Role of Encouraging Low-Income Homeownership From the FDIC.* The FDIC's affordable housing program is designed to use housing units acquired by the FDIC through bank defaults to enable low-income individuals and families to purchase homes. The program should be terminated because it is outside the scope of the Federal Deposit Insurance Corporation. It is duplicated by a variety of existing HUD programs and complicates the task of the FDIC to recapture defaulted insurance payments. This program was targeted for elimination by the House Appropriations Committee.

—*Stop Extending Federal Subsidies to Corporations Through the Low-Income Housing Preservation Program.* In return for Federal subsidies, certain property owners rent units to individuals and families meeting specific income and preference requirements. After 20 years, the owners' mortgage notes and program regulations permit them to prepay the remainder of their 40-year federally assisted mortgages. If they prepay, HUD applications no longer apply and the property reverts to any use the owner may wish to apply. During the mid-1980's, large numbers of mortgages became eligible for prepayment, causing concern that many owners would exit the program and result in a shortage of project-based housing stock. Under LIHPRA, these owners are given incentives not to prepay their mortgages, and hence keep their units available for low-income rental use. The program should be eliminated due to the inefficiency of the project-based assisted housing program overall. Additionally, the incentives being offered are awarded to owners who may have no intention of prepaying the mortgages. In general, in today's real estate market, the prospect of widespread prepayment of mortgages is unlikely. Tenants displaced by those owners that do prepay could be issued a voucher or certificate for use in the open market. The Office of Management and Budget has also suggested the repeal of this program.

—*Stop Subsidizing the Wasteful and Costly Rehabilitation of Public Housing Units That Would Be Better Off Demolished.* The Severely Distressed Public Housing Program provides funds for public housing authorities to use to rehabilitate units of housing at the most extreme level of dilapidation. The funds are in addition to modernization funding and are used to repair units which, should the one-for-one replacement requirement be eliminated, would be better razed rather than forcing expensive building of new units. The lost unit is better replaced through vouchers or certificates. The House Appropriations Committee included this program in its list of rescissions recently passed.

—*Remove Duplicative and Wasteful Social and Special Purpose Programs Falling Beyond the Scope of HUD's Mission.* Though HUD's mission is to provide assistance in economic development and housing for low-income areas, social programs and special purpose funding having little or nothing to do with these responsibilities have been layered onto its already bloated bureaucracy. Social programs include Investment Centers to provide job training, education access centers, and other services generally duplicating what a broad range of welfare services are already supposed to provide. Congregate service for the elderly has become a HUD function, though a variety of elderly programs already exist. Special purpose grants can be used for just about any local purpose conceivable and end up wasting taxpayer dollars for projects better funded at the local level.

—*Transfer Duplicative Lead-Based Paint Responsibilities to the Environmental Protection Agency.* HUD has three lead paint abatement programs: Lead-Based Paint Abatement Assistance Program, the Lead-Based Paint Abatement Technical Assistance and Capacity Building Set-Aside Program, and the Lead-Based Paint Research and Development Program. These programs exceed HUD's ability, expertise, and function. The Office of the Inspector General at HUD has indicated this as a program that should be considered for termination. State and local agencies are better able to identify risks and apply solutions. In addition, at the Federal level numerous agencies have lead-based paint programs. The responsibility for enforcing lead-based paint standards is best suited to the Environmental Protection Agency. Both the President and the House Appropriations Committee included large rescissions of these funds in their recent proposals.

—*End the Youth Sports Program for Public Housing and Reduce Duplicative Law Enforcement Funding by 5 Percent.* Through the Drug Elimination program, HUD disperses grants to public housing authorities to fund efforts to minimize crime in the housing projects through, among other things, the youth sports program. HUD's mission is not to provide security or police services, nor to provide sports services to children. It has been unable to increase levels of safety in public housing projects through these grants. Greater coordination with Federal, State and local law enforcement agencies is a more effective method to control crime in public housing. The savings reflect the amount the House Appropriations Committee rescinded from the 1995 budget level.

—*End the Construction of New Public Housing Units.* The Development program involves the use of Federal funds by Public Housing Authorities to either demolish units in severely dilapidated condition to build new units for use by the PHA. New units of public housing owned and operated by PHAs and subsidized by the Federal Government should not be considered until the disposition of HUD is ultimately determined. The House Appropriations Committee included this elimination in the House-passed rescission bill.

Eliminate LIHEAP. LIHEAP (the Low-Income Home Energy Assistance Program) was created in 1981 as a temporary means of assisting low-income households in meeting increased home heating costs resulting from dramatic energy price increases in the late 1970's. Since 1981, however, real prices of household fuels have declined by 22 percent. Electricity prices are at pre-1974 levels, natural gas prices have fallen to pre-1980 levels, and fuel oil prices have declined to pre-1975 levels. Thus the emergency that led to LIHEAP has abated. It should be noted that LIHEAP payments go to utility companies, not to individuals.

MANDATORY SPENDING

Eliminate Extended Unemployment Benefits. Federal extended unemployment benefits provide 13 weeks of additional unemployment insurance benefits over and above the standard State unemployment insurance period of eligibility, based on the insured unemployment rate within a State. Currently, only two States and Puerto Rico are eligible for the extended benefits. The Extended Benefits program often becomes politicized during recessions, with the benefits often being extended far beyond the initial 13 weeks provided for by law. Beyond serving as a disincentive to finding or accepting new employment, extended benefits also contributes to Federal overspending, thus feeding the Federal deficit. Rather than simply trying to remedy the problem of unemployment through enhanced Federal benefits, a better approach is to eliminate Federal overspending and the deficit which diverts capital away from job-creating investment in the private sector. By balancing the budget and freeing up more capital for private sector investment, more job opportunities will be available in the economy, and the need for such income support programs will be diminished.

Enhance Home Ownership Opportunities. This proposal reflects home ownership provisions that are part of the job training block grant described in Function 500.

Welfare Reform. This budget proposal assumes the provisions of H.R. 4, the Personal Responsibility Act of 1995, as passed by the House of Representatives on March 24, 1995. Title II of the package, the Child Protection Block Grant, is reflected in Function 500. Three other small portions of the plan—concerning the AFDC

JOBS program, drug treatment provisions, and child protection programs—are reflected in Functions 500, 550 and 750, respectively. The bulk of the welfare reform provisions remain in Function 600, and may be summarized as follows:

—*Temporary Family Assistance Block Grant (Title I).* This title consolidates five Federal cash welfare assistance programs into a single block grant to the States, and freezes funding for these programs at the fiscal year 1995 level. States will be empowered to design their own basic cash assistance programs to encourage work and self-sufficiency. The plan discourages illegitimacy by requiring beneficiaries to establish paternity, and by prohibiting States from using Federal dollars to provide cash assistance to unwed teenage mothers or to provide additional benefits to families who have additional children while on welfare. By 2003, States must have at least 50 percent of their single parent welfare caseload working at least 35 hours per week. The plan establishes a lifetime limit on welfare eligibility per individual of 5 years.

—*Block Grants for Child Care and for Child Nutrition Assistance (Title III).* This title consolidates eight Federal child care programs into a single block grant to States. It eliminates current requirements that siphon more than 30 percent of Federal child care funding for centralized government planning and program administration. It enhances parental freedom to choose the child care providers they prefer. The School and Family Nutrition block grants consolidate seven child nutrition programs into two block grants to States. Funding for child nutrition is increased 4.5 percent annually. The plan allows each school district to submit a single application to provide school lunches, breakfasts, and summer feeding. It also eliminates meddlesome Federal regulations, such as the current ban on serving yogurt within the school lunch program.

—*Restrictions on Welfare Eligibility for Noncitizens (Title IV).* This title makes non-citizens categorically ineligible to receive benefits from major welfare programs such as Supplemental Security Income [SSI], Food Stamps, Medicaid, Cash Welfare, and Title XX Social Services. Exceptions include aliens who are over 75 and who have lived in the U.S. for 5 years, and persons who are veterans of the U.S. military. The availability of public benefits should not be a factor influencing people to emigrate to the United States. Under current immigration laws, becoming a public charge is a deportable offense. This title strengthens that basic policy by making alien sponsorship agreements enforceable contracts, thus requiring an alien's family or charitable agency sponsor to provide for the economic well-being of aliens they bring into the United States.

—*Food Stamp Reforms (Title V).* This title allows States to eliminate parallel bureaucracies for cash welfare and food stamps and merge eligibility requirements and benefit levels for the 40 percent of current Food Stamp recipients who also receive cash welfare. The plan requires able-bodied Food Stamp recipients aged 18–50 with no dependents to work. It increases penalties for committing Food Stamp fraud, estimated at $2 billion annually. It freezes provisions in current law that are causing rapid expansions in the program. Repeated expansions of the Food Stamp program over the past decade have caused the number of people on the Food Stamp rolls to jump from 19.8 million in 1985 to 27.4 million this year. That represents a 38-percent increase in just 10 years.

—*Supplemental Security Income Reforms (Title VI).* This title eliminates cash benefits under the SSI Disability program for those people whose only disability is drug abuse or alcoholism. It provides $400 million over the next 5 years for treatment of drug and alcohol abusers. The number of drug addicts and alcoholics receiving benefits under the current program has risen almost 700 percent since 1988, according to the General Accounting Office. The plan reforms rules governing the eligibility or children to receive SSI Disability benefits. Current lax program rules allow children to qualify for disability benefits based on individual functional assessments [IFA's] which permit benefits of $450 per month to children who display age inappropriate behavior or other disciplinary problems that do not represent genuine disabilities. Numerous examples have come to light of parents coaching children to misbehave in order to qualify for benefits. The reforms would enhance benefits for severely disabled children (43 percent of the current child caseload), and allow families of less severely disabled children to qualify for Medicaid and other support services rather than cash assistance.

—*Child Support (Title VII).* This title improves collection and dissemination of information on court ordered child support to increase compliance with support orders. It also requires States to adopt policies to restrict drivers or professional licenses for persons delinquent in paying child support.

—*Miscellaneous Provisions (Title VIII).* This title describes budget scoring methods on the PAYGO scorecard related to programs that become discretionary under the bill. It encourages the adoption of electronic benefit transfer systems for delivering low-income benefits to individuals.

Federal Retirement Reforms.

—*Eliminate More Generous Pension Treatment for Members of Congress and Congressional Staff.* Currently, Members of Congress and their staff receive more generous Federal pension benefits than most other Federal employees. When Congress created the Congressional pension system in 1946, it established a 2.5-percent benefit accrual rate for Members and Congressional employees. That means that after 20 years of service, member and staff pensions would equal 50 percent of the base salary, and after 30 years service, benefits would be 75 percent of base pay. The benefit formula for most other Federal employees equals 36 percent of base salary after 20 years and 56 percent of base pay after 30 years. The proposal conforms the Member and staff accrual rate for those covered by the Civil Service Retirement System to the accrual rate of most other Federal employees, currently 2 percent. The Civil Service Retirement System includes all Federal employees who began service before January 1, 1984. The proposal also eliminates a similar favorable accrual rate for Members and Congressional Staff under FERS. Currently, Members and Staff have an accrual rate of 1.7 percent, while all other Federal employees have an accrual rate of 1 percent if they retire before age 62, and 1.1 percent if they retire after 62. The proposed legislation conforms Members and Congressional Staff to the same accrual rate most other Federal employees earn.

—*Change Computation of Annuities for New Retirees From High Three to High Five.* The budget resolution assumes the same provision that passed the House in H.R. 1215 earlier this year.

Other Individual and Community Assistance.

—*Charging Fees for Non-AFDC Child Support Enforcement Services.* Since 1992, the General Accounting Office has reported on opportunities to defray some of the costs of child support programs. These opportunities include locating absent parents, establishing paternity, and collecting ongoing and delinquent child support. The law authorizes the State to charge a fee of up to $25. Most States, however, charge a minimum fee of $1 and simply absorb the cost, even though they have the option of recovery. Meanwhile, private companies are jumping into the business. GAO's research suggests that mandatory fees be dropped and that States charge a minimum percentage service fee on successful collections for non-AFDC families. The application fees are administrative nightmares, and the service fee would ensure that families are only charged when a service has been successfully performed. To fully recover the administrative costs, a 15-percent service charge would be necessary for non-AFDC families. The savings indicated in this proposal assume States would be able to implement this option beginning October 1, 1995.

—*Reduce the $20 Exclusion From Income in Supplemental Security Income.* Reducing the $20 exclusion to $15 would save $175 million in 1996 and almost $1 billion over the 5-year period. A program that ensures a minimum living standard for recipients need not provide a higher standard of living for people who happen to have earned income, as illustrated by the absence of any standard exclusions for unearned income (other than child support) in the AFDC program.

—*Eliminate Trade Adjustment Assistance.* Trade Adjustment Assistance provides additional unemployment benefits and training assistance to workers who lose their jobs as a result of foreign competition, including workers affected by NAFTA. There is no justification, however, for providing more assistance to an unemployed worker who lost a job because of foreign competition than for a worker whose unemployment resulted from domestic competition. Trade Adjustment Assistance provides 78 weeks of unemployment benefits while the majority of other Americans qualify for only 26 weeks of unemployment benefits. Moreover, a 1993 evaluation of the training components of the program by the Department of Labor Inspector General determined that neither the Department nor the States could demonstrate that the program was effective in helping unemployed workers find suitable employment. The Inspector General's audit found that only one in ten of former program participants surveyed found new training-related employment that paid suitable wages. The IG also noted that although the program requires participants to enroll in approved training courses, participants who did not wish to attend training were almost always granted waivers to continue receiving the income support allowance. [Please note: Two other components of this proposal appear in Function 500.]

FUNCTION 650: SOCIAL SECURITY

This function consists of the Social Security Program.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

FUNCTION 650

	1995	1996	1997	1998	1999	2000	2001	2002
650 Social Security:								
Budget Authority	336.9	354.3	374.1	394.3	413.9	433.9	455.0	477.2
Outlays	336.2	354.2	373.0	393.2	412.6	432.7	453.7	475.7

DISCUSSION OF POLICY ASSUMPTIONS

MANDATORY SPENDING

This budget assumes no programmatic changes in Social Security.

FUNCTION 700: VETERANS BENEFITS AND SERVICES

This function includes veterans benefits and services including discretionary programs for veterans health care and medical research, construction activities, and housing loan programs. Also included are mandatory veterans programs such as veterans compensation and pension payments and educational benefits.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

FUNCTION 700: VETERANS BENEFITS AND SERVICES

House Budget Committee policy assumptions	1995 Level	1996	1997	1998	1999	2000	2001	2002
FUNCTION TOTALS								
House Budget Committee balanced budget path:								
Budget authority	37,654	37,588	38,081	38,453	39,050	39,249	39,736	40,149
Outlays	37,392	36,935	38,079	38,526	39,037	40,624	41,218	41,588
DISCRETIONARY	Changes from 1995 Levels							
Limit VA Major Construction:								
Budget Authority	354	−272	−259	−246	−232	−218	−203	−188
Outlays	541	−76	−137	−183	−321	−369	−417	−410
MANDATORY								
Increase the Prescription Drug Copayments to $5 in 1996 and 1997; by $8 Thereafter:								
Budget Authority	−579	−141	−234	−348	32	18	4	−11
Outlays	−579	−141	−234	−348	32	18	4	−11
Withhold Compensation Benefits for Certain Incompetent Veterans with Large Estates:								
Budget Authority	14,176	488	1,041	1,616	2,228	2,645	2,832	3,686
Outlays	14,422	−906	712	1,321	1,929	3,606	1,429	3,349
Permanently Extend Pension Limit to Persons in Medicaid Nursing Home:								
Budget Authority	2,955	0	0	0	−199	−206	−213	−214
Outlays	2,958	0	0	0	−198	−242	−174	−214
Permanently Extend Income Verification through IRS and SSA:								
Budget Authority	2,955	−134	−251	−360	−168	−178	−190	−201
Outalys	2,958	−359	−244	−354	−187	41	−414	−204
Recover Certain Costs from Health Insurers of Veterans for Non-Service Related Conditions:								
Budget Authority	−579	−62	−152	−179	−4	−23	−43	−64
Outlays	−579	−62	−152	−179	−4	−23	−43	−64
Collect Per Diems and Copayments from Certain Veterans:								
Budget Authority	−579	−62	−152	−179	161	151	141	131
Outlays	−579	−62	−152	−179	161	151	141	131
Verify Veteran Income for Medical Care Cost Recovery:								
Budget Authority	−579	−62	−152	−179	205	197	189	181

FUNCTION 700: VETERANS BENEFITS AND SERVICES—Continued

House Budget Committee policy assumptions	1995 Level	1996	1997	1998	1999	2000	2001	2002
Outlays	−579	−62	−152	−179	205	197	189	181
Extend 0.75-Percent Loan Fee for Housing Loans and Extend Authority for Higher No-Bid Rate in Housing Programs:								
Budget Authority	−107	12	47	70	85	97	114	116
Outalys	−106	11	46	69	84	96	113	115
Round Down Compensation COLA and Provide Half COLA for Old Law DIC Recipients:								
Budget Authority	14,176	634	1,157	1,704	2,286	2,661	2,837	3,636
Outlays	14,422	772	828	1,410	1,989	3,683	1,418	3,299
Maintain the GI Bill COLA at 50 Percent:								
Budget Authority	1,580	59	135	208	250	302	340	376
Outlays	1,300	159	235	298	330	382	410	446

DISCUSSION OF POLICY ASSUMPTIONS

Through the Department of Veterans Affairs [VA], veterans who meet various complex eligibility rules receive benefits ranging from medical care, to compensation, pensions, education, housing, insurance, and burial benefits. There are 26 million veterans and about 44 million members of their families. The Congressional Budget Office estimates that total VA outlays for fiscal year 1995 will be $37.392 billion. This includes discretionary (largely medical care) spending of $18.035 billion; entitlement and other mandatory spending (compensation, pension, education, etc) of $20.542 billion; and receipts (−) of $1.185 billion. The VA administers a vast health care system for veterans who meet certain eligibility criteria. Care is provided largely in facilities owned and operated by the VA. For fiscal year 1994, the VA-operated facilities included 172 hospitals, 130 nursing homes, 357 outpatient clinics, and 39 domiciliaries. Eligibility rules for veterans health care services are complex. In general, eligibility is based on characteristics of the veteran (such as having a health condition related to service in the Armed Forces, or level of income) and the kind of health care service being provided (inpatient, outpatient, etc.). The VA is required to provide free hospital care to veterans with service-connected disabilities (and to certain other veterans, including those with incomes below about $20,000). The VA may provide hospital care to all other veterans but only on a space available basis and if they pay required deductibles and copayments. In fiscal year 1993, about 2.8 million veterans used the VA health care system, representing just over 10 percent of the total veteran population. The VA pays monthly cash benefits to veterans who have service-connected disabilities. The basic amounts of compensation paid are based on percentage-of-disability rating (multiples of 10 percentage points) assigned to the veteran. In 1996 about 2.5 million veterans will receive disability compensation totaling about $14.5 billion. The VA pays monthly cash pension benefits to about 744 thousand veterans or their survivors. These pensions will total $3.0 billion in fiscal year 1996.

Over the 7-year budget period, the House Budget Committee recommendation is to achieve savings of about $7 billion ($1.031 billion from discretionary spending and $6.076 billion from mandatory spending). From discretionary accounts, the plan calls for limiting VA major construction to achieve $1.031 billion in deficit reduction. From mandatory spending, the plan would increase the prescription copayment amount from the current $2 to $5 in fiscal year 1996 and 1997, $8 in fiscal year 1998 and beyond for a savings of $1.066 billion over 7 years. The plan also calls for limiting compensation benefits for certain incompetent veterans for a savings of $1.326 billion over 7 years. Last, the plan recommends permanently extending expiring current law which would save $4.019 billion over 7 years. (These extensions of current law were also recommended by President Clinton in his fiscal year 1996 budget proposal.)

DISCRETIONARY SPENDING

Limit Major Construction. The Construction, Major Projects appropriation provides for constructing, altering, extending, and improving VA facilities, including planning, architectural and engineering services, and site acquisition, where estimated cost of a project is over $3 million. The proposed deficit reduction savings of $1.031 billion over 7 years would apply only to the medical program—not to the national cemetery or other accounts in major construction. The fiscal year 1996 budget request for VA major construction is $514 million.

MANDATORY SPENDING

Increase the Prescription Drug Copayment. The VA is currently authorized to collect a $2 copayment for each 30-day supply of outpatient prescription drugs prescribed for conditions which are not related to the treatment of a service-connected disability. (Veterans with a service-connected condition rated 50 percent or more are exempted.) This proposal would increase the copayment to $5 in fiscal year 1996 and 1997 and to $8 in fiscal year 1998 and beyond.

Reenact the OBRA 1990 Provision Limiting Compensation Benefits for Certain Incompetent Veterans. In the case of an incompetent veteran who has neither spouse, child, nor dependent parent and whose estate exceeds $25,000, compensation payments would be suspended until the estate is reduced to $10,000. This provision was in effect from October 1990 through September 30, 1992.

Permanently Extend Pension Limit to Persons in Medicaid Nursing Home. OBRA 1990 placed a $90 monthly limit on VA needs-based pension benefits paid to veterans or survivors without dependents receiving care in a Medicaid-approved nursing home. This limit of $90 is effective through fiscal year 1998. This proposal would permanently extend the limit.

Permanently Extend Income Verification through IRS and SSA. The VA currently is able to access IRS data to verify incomes reported by beneficiaries for establishing eligibility for pensions. This OBRA–1990 provision, extended through fiscal year 1998 by OBRA 1993, would be made permanent under this proposal.

Extend Authority to Recover Costs from Health Insurers of Veterans for Non-Service Related Conditions. The VA has permanent authority to collect payment from private health insurance companies for medical care given to veterans with no service-related disabilities. The VA also has temporary authority, through fiscal year 1998, to recover from private health insurance companies the medical costs of veterans who do have service-related disabilities, when such veterans receive care for conditions not related to their service-related disabilities. This OBRA–1993 provision would be made permanent under this proposal.

Extend Authority to Collect Copayments for Prescription Medications. The VA is currently authorized to collect a $2 copayment for each 30-day supply of outpatient prescription drugs prescribed for conditions which are not related to the treatment of a service-connected disability. (Veterans with a service-connected condition rated 50 percent or more are exempted.) This proposal would permanently extend this authority, which has already been approved by Congress on a temporary basis on three separate times.

Verify Veteran Income for Medical Care Cost Recovery. This would extend permanently VA's authority to check the income of veterans using Social Security numbers/internal revenue service records to determine eligibility of veterans for means-tested medical care.

Extend 0.75-Percent Loan Fee for Housing Loans and Extend Authority for Higher No-Bid Rate in Housing Programs. The VA's mortgage guarantee program makes it possible for veterans to buy homes with little or no downpayment, and at favorable rates. The primary cost of the program comes from defaults and subsequent property foreclosures. The VA charges veterans who do not have a service-connected disability a basic fee to use the VA Home Loan Guarantee program. Basic fees are 1.25 percent of the loan amount for a veteran and 2 percent for a reservist when the downpayment is less than 5 percent; 0.75 percent for a veteran and 1.5 percent for a reservist with a down payment of 5 but less than 10 percent; and 0.5 percent for a veteran and 1.25 percent with a downpayment of 10 percent or more. OBRA 1993 increased these fees by 0.75 percent of the loan amount for loans closed between October 1, 1993 and September 30, 1998. This proposal would permanently extend this .75 percent addition to the basic fees. The VA uses a "no-bid" formula to determine the least expensive alternative to dispose of foreclosed property. This proposal would make permanent a modification to the no-bid formula which requires VA to consider its losses sustained on the resale of the property when establishing the rate. OBRA 1993 established a fee of 3 percent of the amount of the loan, with less than 5-percent downpayment, for a veteran who previously obtained a VA-guaranteed home loan. The increased fee applies in the case of second and subsequent loans closed between October 1, 1993 and September 30, 1998. This provision would make this higher rate permanent.

Round Down Fiscal Year 1996 Compensation COLA and Provide One-Half COLA for Certain DIC Recipients. The VA pays monthly cash benefits to veterans who have service-connected disabilities. The basic amounts of compensation paid are based on percentage-of-disability ratings (multiples of 10 percentage points) assigned to the veteran. A veteran whose disability is rated 30 percent or more disability also receives additional compensation for a spouse, children, and dependents. The VA also pays dependency and indemnity compensation [DIC] to the survivors of service members or veterans who died from a disease or injury incurred or aggravated during military service. OBRA 1993 provided that the COLA would be rounded down to the next lower whole percentage point. This proposal would permanently extend this provision. For deaths on or after January 1, 1993, surviving spouses are paid $750 per month and, if the deceased veteran was totally disabled for a continuous period of at least 8 years immediately prior to death, and additional $165 per month. For deaths prior to January 1, 1993, surviving spouses may receive the higher of DIC under the new system or the old system determined by the pay grade of the deceased veteran. OBRA 1993 limited the fiscal year 1994 COLA for DIC paid under the older determination process to one-half the COLA applying to DIC paid for deaths after January 1, 1993.

Permanently Maintain the GI Bill COLA at 50 Percent. OBRA 1993 eliminated the COLA for the Montgomery GI Bill benefits for fiscal year 1994. It also specified that the COLA for 1995 would be one-half of the amount otherwise calculated. This provision would maintain the GI Bill COLA at 50 percent permanently.

FUNCTION 750: ADMINISTRATION OF JUSTICE

This function is composed of the justice programs of the United States, including Federal law enforcement, Federal court, Federal prison and judicial branch activities.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

HOUSE BUDGET COMMITTEE POLICY ASSUMPTIONS

	1995	1996	1997	1998	1999	2000	2001	2002
750 Administration of Justice								
Budget Authority	18.5	17.8	16.9	16.6	16.4	16.4	16.0	15.9
Outlays	17.1	17.8	17.1	16.9	16.7	16.6	16.2	16.1

BUDGET ASSUMPTIONS

	Total FY 1995 spending level		Change from the FY 1995 Level (Except where otherwise noted)													
			1995		1997		1998		1999		2000		2001		2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Block Grant Funding for Justice Assistance Program	315	69	−53	−12	−53	−31	−53	−50	−53	−53	−53	−53	−53	−53	−53	−53
Eliminate Administrative Conference of the United States	2	2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2
Eliminate Associate Attorney General Position and Office	2	2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2	−2
Eliminate Funding for Death Penalty Resource Centers	20	20	−20	−4	−20	−12	−20	−19	−20	−20	−20	−20	−20	−20	−20	−20
Phase Out Federal Funding for the Legal Services Corporation	415	413	−137	−121	−274	−257	−415	−398	−415	−415	−415	−415	−415	−415	−415	−415
Rescind Immigration Emergency Fund	75	0	−75	0	−75	0	−75	0	−75	0	−75	0	−75	0	−75	0
Reduce the Violent Crime Trust Fund (Reduction in the Violent Crime Trust Fund is from each Authorized Year, not from the 1995 Level)	n/a	n/a	−389	−212	−1,057	−840	−1,366	−1,154	−1,583	−1,314	−1,583	−1,441	−1,583	−1,441	−1,583	−1,441
Reform the U.S. Marshals Service	397	392	−5	−5	−5	−5	−5	−5	−5	−5	−5	−5	−5	−5	−5	−5
Eliminate Community Relations Service	20	21	−7	−6	−13	−12	−20	−19	−20	−20	−20	−20	−20	−20	−20	−20
Terminate the State Justice Institute	14	14	−14	−4	−14	−9	−14	−13	−14	−14	−14	−14	−14	−14	−14	−14
Terminate the U.S. Parole Commission	7	8	−7	−6	−7	−7	−7	−7	−7	−7	−7	−7	−7	−7	−7	−7
Child Protection form Crime Bills	11	10	−11	−2	−11	−7	−10	−11	−10	−11	−10	−11	−10	−11	−10	−11

This account is affected by two or more distinct policy changes, each of which are listed as separate lines in this budget function.

Discussion of Policy Assumptions

DISCRETIONARY SPENDING

Block Grant Funding for Justice Assistance Programs. Currently, financial assistance is spread among many Justice Assistance Programs, each earmarking funds for a specific purpose. These categorical grants encourage units of government to spend money on programs that may not be a high priority but to direct much of its funding toward problems that are of low priority to recipient governments or that are not Federal responsibilities, in which applicants take grants because they are available rather than because of pressing needs. Consolidating existing grants into one large formula grant dedicated to a broad category, reducing the total funding, and changing the method by which funds are allocated allows recipients to direct resources toward programs where the need is greatest in their jurisdictions. Shifting the method of distributing funds exclusively to block grants will have no detrimental effects on the Nation's law enforcement capabilities. In contrast, it will enhance the ability of localities to handle their law enforcement problems, even with fewer total resources. Furthermore, savings will result from lower administrative costs. Currently, each grant program requires that applicants file a proposal detailing how the grant will be used and what oversight will be conducted; in addition, recipients must submit followup reports on the program's achievements. Those administrative expenses absorb a good portion of the total grant that could be used to carry out program activities. By administering the entire program as a single formula grant, significantly fewer people will sit behind desks and more will work in communities where the needs exist. This plan is also consistent with recommendations in the National Performance Review for reducing overhead and enhancing flexibility.

Eliminate the Administrative Conference of the United States. The Administrative Conference of the United States conducts studies of the administrative procedures that agencies and executive departments use. The purpose of the commission is to arrange for interchange among administrative agencies of information "potentially" useful in improving administrative procedure.

Eliminate the Associate Attorney General Position and Office. The presidentially appointed Associate Attorney General position is an unneeded level of bureaucracy, which should be eliminated. This position is not part of the formal Department of Justice structure and is unnecessary to implement Departmental policies. Instead, this position has been used to reward politically connected friends of the President.

Eliminate Funding for Death Penalty Resource Centers.—The Capital Resource Centers provide grants and funds for convicted murderers to file appeals of their convictions and fight pending Federal habeas corpus petitions. These grants and funds are unnecessary for these felons to protect their basic constitutional rights or to provide for their defense. Court-appointed, taxpayer funded, and pro-bono attorneys are already available for this purpose.

Phase Out Federal Funding for the Legal Services Corporation.— The Legal Services Corporation (LSC) is one of several organizations intended to provide the poor with access to free legal aid in civil matters. Too often, however, lawyers funded through Federal LSC grants have focussed on political causes and class action lawsuits rather than helping poor Americans solve their legal problems. In fact, the poor have often been its chief victims. Lawyers have used the LSC grants to file lawsuits against welfare reform and to support the right of prisoners to certain benefits, such as cable television. These lawyers also are used to defend drug dealers from being evicted from housing projects. The LSC has sued for frivolous benefits at taxpayers' expense. A phaseout of Federal funding for the LSC will not eliminate free legal aid to the poor. State and local governments, bar associations, and other organizations already provide substantial legal aid to the poor. The phaseout of Federal funding would just end the most controversial and counterproductive legal representations.

Rescind Immigration Emergency Fund. The one-time immigration emergencies due to events in Haiti and Cuba prompted the 103rd Congress to appropriate $75 million in Public Law 103–317 for the Immigration Emergency Fund, compared to an appropriation of $6 million in fiscal year 1994 and no appropriation in fiscal year 1996.

Reduce the Violent Crime Trust Fund. This proposal reduces the Violent Crime Trust Fund by $5 billion over 5 years to achieve the reduction from last year's crime bill promised in the Contract with America.

Reform the U.S. Marshals Service. This provision eliminates the political appointment process for U.S. marshals and promotes the professionally trained deputy marshals to the U.S. marshal positions. The total number of employees in the Marshals Service is reduced by 70. This concept to reform the Marshals Service has been discussed since the Truman administration, and was proposed in Vice President Gore's National Performance Review.

Eliminate the Community Relations Service. The Community Relations Service provides assistance to communities in preventing and resolving disputes and difficulties between ethnic and racial groups. Although the Service's goal may be laudable, it is not appropriately addressed at the Federal level by a one-size-fits-all approach. Instead, the Service's goals can more appropriately be met by local, State, and nongovernmental institutions "on the ground" where potential problems exist.

Terminate the State Justice Institute.—The State Justice Institute funds research and demonstration projects and distributes information about ways to administer justice. The Institute provides no actual services and has not improved the administration of justice at the Federal or State level, and should be eliminated.

Terminate the U.S. Parole Commission. The Comprehensive Crime Control Act of 1984 abolished the U.S. Parole Commission and instituted mandatory sentencing for all offenders whose crimes were committed after November 1, 1987. The Commission will be abolished on November 1, 1997, 10 years after the implementation of the U.S. Sentencing Guidelines. Abolishing the Commission in fiscal year 1996 and distributing its current workload to other offices will have no or little effect on pending cases.

Replace Three Child Protection Programs. Under the House-passed welfare reform plan, three existing child protection programs are to be replaced by the Child Protection Block Grant in Title II of the Personal Responsibility Act of 1995. [Note: See Function 500].

FUNCTION 800: GENERAL GOVERNMENT

This function covers the general overhead cost of the Federal Government; provision of central, fiscal property, and personnel activities; and provision of services that cannot be reasonably classified in any other major function. Overhead costs include the legislative branch and Executive Office of the President. Central fiscal costs consist of the general tax collection and fiscal operations of the Department of Treasury. Property and personnel costs include the operating costs of the General Services Administration and Office of Personnel Management. Federal aid to State and territorial government that is available for general fiscal support is also placed in this function. Funding for the Internal Revenue Service accounts for slightly more than half of the total.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

FUNCTION 800: GENERAL GOVERNMENT

House Budget Committee policy assumptions	1995 Level	1996	1997	1998	1999	2000	2001	2002
FUNCTION TOTALS								
House Budget Committee balanced budget path:								
Budget Authority	13,265	11,624	11,633	12,457	11,684	12,109	11,319	11,263
Outlays	13,395	12,380	11,799	12,594	11,514	11,970	11,075	11,012
DISCRETIONARY	Changes from 1995 Levels							
Eliminate GSA's Federal Supply, Information Resource Management and Federal Property Resource Service:								
Budget Authority	97	−97	−97	−97	−97	−97	−97	−97
Outlays	70	−70	−97	−97	−97	−97	−97	−97
Impose a Five-Year/Seven-Year Moratorium on Construction and Acquisition of New Federal Buildings:								
Budget Authority	627	−627	−627	−627	−627	−627	−627	−627
Outlays	19	−19	−81	−213	−407	−564	−627	−627
End the Government Monopoly on Fleet Management by Opening Management of the Government's Fleet to Competitive Private-Sector Bidding:								
Budget Authority	2,000	−67	−167	−200	−200	−200	−200	−200
Outlays	150	−50	−167	−200	−200	−200	−200	−200
Eliminate All Territorial Assistance (Territorial and International Affairs):								
Budget Authority	52	−51	−51	−51	−51	−51	−51	−51
Outlays	50	−45	−52	−52	−52	−51	−50	−50

FUNCTION 800: GENERAL GOVERNMENT—Continued

House Budget Committee policy assumptions	1995 Level	1996	1997	1998	1999	2000	2001	2002
Eliminate Trust Territory of the Pacific Islands (Territorial and International Affairs):								
Budget Authority	20	−20	−20	−20	−20	−20	−20	−20
Outlays	21	−14	−20	−20	−20	−20	−20	−20
Accept President's Proposal Compact of Free Association (Territorial and International Affairs):								
Budget Authority	20	−10	−10	−10	−10	−11	−11	−11
Outlays	21	−9	−9	−10	−10	−11	−11	−11
Eliminate Joint Committees on Printing and Library:								
Budget Authority	2	−2	−2	−2	−2	−2	−2	−2
Outlays	2	−2	−2	−2	−2	−2	−2	−2
End the Government's Monopoly on Printing:								
Budget Authority	145	−48	−145	−145	−145	−145	−145	−145
Outlays	130	−43	−135	−145	−145	−145	−145	−145
Payment in lieu of Taxes:								
Budget Authority	104	21	21	21	21	21	21	21
Outlays	104	21	21	21	21	21	21	21
Eliminate the Advisory Commission on Intergovernmental Relations:								
Budget Authority	1	−1	−1	−1	−1	−1	−1	−1
Outlays	1	−1	−1	−1	−1	−1	−1	−1
Eliminate the Office of Technology Assessment:								
Budget Authority	22	−16	−22	−22	−22	−22	−22	−22
Outlays	22	−14	−22	−22	−22	−22	−22	−22
Lock-In Savings from One-Third Reduction In House Committee Staffs:								
Budget Authority	729	−33	−34	−34	−34	−34	−34	−34
Outlays	676	−32	−34	−34	−34	−34	−34	−34
Reduce Funding for the Executive Office of the President by Fifteen (15) Percent:								
Budget Authority	200	−30	−30	−30	−30	−30	−30	−30
Outlays	160	−24	−30	−30	−30	−30	−30	−30
Reduce General Accounting Office Funding by 15 Percent:								
Budget Authority	443	−67	−67	−67	−67	−67	−67	−67
Outlays	442	−60	−67	−67	−67	−67	−67	−67
Reform the Office of Personnel Management (OPM): Transfer Certain OPM Responsibilities: to Other Agencies								
Budget Authority	115	−90	−90	−90	−90	−90	−90	−90
Outlays	109	−81	−90	−90	−90	−90	−90	−90
Indian Gaming—Salaries and Expenses (Authorization):								
Budget Authority	1	−1	−1	−1	−1	−1	−1	−1
Outlays	3	−1	−1	−1	−1	−1	−1	−1
MANDATORY								
Increase Funding for American Samoa:								
Budget Authority	n/a	34	34	34	34	34	34	34
Outlays	n/a	34	34	34	34	34	34	34
Reduce Grants for the Northern Mariana Islands:								
Budget Authority	28	−28	−28	−28	−28	−28	−28	−28

FUNCTION 800: GENERAL GOVERNMENT—Continued

House Budget Committee policy assumptions	1995 Level	1996	1997	1998	1999	2000	2001	2002
Outlays	5	−28	−28	−28	−28	−28	−28	−28
Indian Gaming—Salaries and Expenses (Fees):								
Budget Authority	1	1	1	1	1	1	1	1
Outlays	3	1	1	1	1	1	1	1
Indian Gaming—Salaries and Expenses (Direct Spending):								
Budget Authority	1	−1	−1	−1	−1	−1	−1	−1
Outlays	3	−1	−1	−1	−1	−1	−1	−1

Discussion of Policy Assumptions

DISCRETIONARY SPENDING

Cost Savings at the General Services Administration [GSA]. The GSA was established in 1946 to provide goods and services across the government in the most effective and cost-efficient manner. Now 50 years later, however, the monopoly status of GSA is causing government agencies to in fact pay excessive costs for various goods and services which can be easily provided by the private sector at a much lower cost. Given the scale of the government's purchases through GSA, there is great opportunity for significant savings system wide as competition is introduced. GSA's current budget is approximately $200 million; it controls over $45 billion in annual purchases by government agencies. As the National Performance Review has argued:

> It is not enough that GSA try to become a better monopoly; true change will not occur until agencies are free to choose where and how they spend their money.

—*Eliminate the GSA's Federal Supply Service, Information Resources Management Service and the Federal Property Resources Service.* This proposal calls for selling three major elements of GSA to the current employees—through an Employee Stock Ownership Plan/ESOP—or to private companies. The Federal Property Resources Service handles the sale, auctioning, or outleasing of valuable underutilized Federal property. The Federal Supply Service has approximately 5,000 employees and enjoys gross sales in fiscal 1993 close to $2 billion and over $500 million in fleet management. One significant failure of this office has been the management of government purchases of computers. Currently, the IRS suffers from a backlog of $70 billion in uncollected taxes due to inappropriate and antiquated computers. Last fall, Senator Cohen issued a report urging a complete halt in computer purchases until the introduction of major improvements in the system. Information Resources Management Service is responsible for providing local telephone services and software services through private vendors. It employs slightly more than 2,000 people.

—*Impose a 5-Year/7-Year Moratorium on Construction and Acquisition of New Federal Buildings.* At present, the GSA has 31 new construction projects proposed in this year's budget, in direct contradiction to the recommendation of the National Performance Review that GSA temporarily suspend the acquisition of all net new office space and courthouses. This proposal places a hold on General Services Administration's acquisitions and proposes that all government agencies begin aggressive negotiations to reduce costs in existing and new leases. This provision allows an exemption in the cases of Federal buildings destroyed by unforeseen disasters or acts of God.

End the Government Monopoly on Fleet Management by Opening Management of the Government's Fleet to Competitive Private-Sector Bidding. This proposal would open to competitive bidding by private-sector agencies the purchase and management of government vehicles to private companies by ending the GSA monopoly. In addition, to ensure over time that the most competitive contracts were being awarded, all costs associated with agencies' fleet management would have to be fully documented.

Restructure the Department of the Interior's Territorial and International Affairs. The Department of the Interior is responsible for promoting the economic and political development of insular areas under the jurisdiction of the United States. The Secretary originates and implements Federal policy for the territories; coordinates certain operating and construction projects; and provides information services and technical assistance. This proposal would eliminate the Office of Territorial and International Affairs and all territorial assistance and funding, except funding for the brown tree snake. It would terminate covenant grants to the Northern Mariana Islands, but fund American Samoa at $34 million. Following the recommendations of President Clinton, it would eliminate funding for the Trust Territory of the Pacific Islands and fund the Compact of Free Association at a reduced level.

Eliminate the Joint Committees on Printing and Library.—With reduced responsibilities for Government Printing Office [GPO], we can eliminate the Joint Committee on Printing and the Joint Committee on the Library of Congress. Oversight of a smaller GPO would be performed by the Senate Committee on Rules and Administration and the House Committee on Oversight.

Payment in Lieu of Taxes. This item funds the PILT change referred to in Function 300.

End the Government's Monopoly on Printing. This provision requires that, by 9 months after enactment, all government work—approximately 20 percent is currently not sent out to private contractors—be offered for competitive bidding. GPO's labor costs are 50 percent greater than comparable private printers' costs; GPO's paper waste averages 40 percent more than the most lax industry standard. Although significant employee reductions will become possible through this procedure—reductions that should be identified by the appropriate committees of jurisdiction—this proposal assumes only those savings that would result from contracting out to the private sector. It is expected that employing the competitive market for government printing would save about 30 percent of printing costs annually.

Eliminate the Advisory Commission on Intergovernmental Relations. This Commission was created in 1959 to examine Federal, state, and local trends, events, and programs that may affect intergovernmental relations. Based on these trends, the Advisory Commission prepares and issues reports. Given the need to reduce Federal spending, this Commission is no longer a critical priority. Local, state, and Federal bureaucrats do not need a multimillion dollar commission to help them talk to one another.

Eliminate Office of Technology Assessment. The Congressional Office of Technology Assessment [OTA] was created in the 1970's to provide Congress scientific and technical assistance, particularly where the Federal Government may be called upon to support technological applications. The proposal would eliminate OTA as a separate organization, consistent with the need to consolidate staff and avoid duplication. Its functions would be absorbed by other groups advising Congress and its staff, including the Congressional Research Service and the General Accounting Office.

Lock In Savings From One-Third Reduction in House Committee Staffs. As pledged by the Republican House Members and candidates on September 27, 1994, prior to the 1994 election, Members of the Republican majority in the 104th Congress have reduced House committee staffs by one-third. This proposal locks in the savings.

Reduce Funding for the Executive Office of the President by 15 Percent. When he took office, Bill Clinton promised major reductions in executive branch staff, especially in the White House. This proposal would carry out the President's pledge.

Reduce General Accounting Office Funding by 15 Percent. The General Accounting Office is undergoing a 25-percent staff reduction that started in 1992. This reduction would absorb savings that should result from these reductions.

Reform the Office of Personnel Management [OPM]: Transfer Certain OPM Responsibilities to Other Agencies. Under this proposal, OPM's Retirement and Insurance Service would move to the Social Security Administration; the Human Resources Systems Service would move to the Office of Management and Budget.

MANDATORY SPENDING

Open ANWR for Exploration. This proposal assumes that a small portion of the Arctic National Wildlife Refuge [ANWR] in Alaska will be leased for oil and gas exploration, development, and production. ANWR is the most prospective oil and gas province in North America, and is adjacent to the hugely successful Prudhoe Bay field, currently supplying 20 percent of domestic oil. Leasing is overwhelmingly supported by residents of the State of Alaska and the Native people who live in the area proposed for leasing. Leasing could provide enormous revenues to the Treasury, jobs to the U.S. economy, and a valuable domestic energy resource to offset the current transfer of U.S. wealth to other nations. This portion of the proposal reflects a payment to Alaska that will come from lease payments rather than taxpayers. Alaska will receive half the receipts collected from leasing.

Reduction in Costs for the Indian Gaming Commission. This proposal, which is part of the Native American Block Grant described in Function 450, assumes that the operating costs of the National Indian Gaming Commission are financed through annual assessments of gaming operations regulated by the Commission.

FUNCTION 900: NET INTEREST

This function is composed principally of interest on the public debt and other interest paid by the Federal Government, such as interest on income tax refunds. Offsetting interest receipts, such as interest received by trust funds and interest paid by the Federal Financing Bank on borrowings from the Treasury, are deducted from the function.

SUMMARY OF POLICY ASSUMPTIONS

FUNCTION 900

	1995	1996	1997	1998	1999	2000	2001	2002
900 NET INTEREST								
BUDGET AUTHORITY	270.0	256.3	259.6	258.7	259.2	258.5	252.8	248.6
OUTLAYS	270.0	256.3	259.6	258.7	259.2	258.5	252.8	248.6

DISCUSSION OF POLICY ASSUMPTIONS

The Budget Committee anticipates a reduction in net interest payments of about $150 billion over 7 years, compared with current projections. These interest reductions are expected to result from the deficit reduction called for in this budget.

FUNCTION 920: ALLOWANCES

This function traditionally includes funding contingencies, initiatives, and other proposals where either the savings or costs cannot be distributed by function.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

FUNCTION 920: ALLOWANCES

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
FUNCTION TOTALS								
House Budget Committee balanced budget path:								
Budget Authority	0	−2324	−2384	−2449	−2523	−2564	−2599	−2635
Outlays	0	−1948	−2312	−2543	−2712	−2823	−2868	−2912
Savings Related to Using the VISA IMPAC Credit Card for Government Printing Orders of less than $1,000:								
Budget Authority	58	0	−53	−54	−56	−58	−58	−58
Outlays	54	0	−48	−54	−56	−58	−58	−58
Reduce Federal Agency Overhead:								
Budget Authority	79,525	−1,258	−1,258	−1,258	−1,258	−1,258	−1,258	−1,258
Outlays	75,542	−1,195	−1,195	−1,195	−1,195	−1,195	−1,195	−1,195
Reduce the Number of Political Appointees:								
Budget Authority	254	−32	−6	−37	−77	−80	−80	−80
Outlays	253	−31	−7	−36	−76	−79	−80	−80
Repeal the Davis-Bacon Act:								
Budget Authority	n/a	−432	−445	−458	−470	−486	−501	−517
Outlays	n/a	−150	−440	−616	−723	−809	−833	−857
Repeal Service Contracts Act:								
Budget Authority	n/a	−600	−620	−640	−660	−680	−700	−720
Outlays	n/a	−570	−620	−640	−660	−680	−700	−720
Terminate 63 Unneeded Boards and Commissions:								
Budget Authority	2	−2	−2	−2	−2	−2	−2	−2
Outlays	2	−2	−2	−2	−2	−2	−2	−2

DISCUSSION OF POLICY ASSUMPTIONS

DISCRETIONARY SPENDING

Savings Related to Using the VISA IMPAC Credit Card for Government Printing Orders of Less Than $1,000. This proposal calls for savings government-wide by contracting out printing services and requiring that all Federal agencies use a credit card to purchase small printing jobs of less than $1,000.

Reduce Federal Agency Overhead. This proposal calls for efficiency savings in indirect overhead expenses, such as spending on travel, shipping, printing and reproduction. These savings will result from improved agency performance, not from any changes to the programmatic activities of the agencies. This proposal was arrived at by careful review of each agency's overhead spending in indirect categories. Reductions have not been assumed in those indirect costs which are closely related to the agency's central function. In addition, reductions would occur in Federal agencies not already targeted for specific administrative reductions indicated elsewhere in this report. This proposal assumes approximately a 2-percent annual reduction in overhead costs, a figure consistent with those of private-sector companies, which typically pursue administrative efficiency savings of approximately 3 percent a year.

Reduce the Number of Political Appointees. This proposal would cap the number of political appointees at 2,300. The term "political appointee" refers to employees of the Federal Government who are appointed by the president and certain policy advisers. Some political appointees must have Senate confirmation. This proposal would not only eliminate about 500 positions, but it would also save time in the Senate used for confirmation.

Repeal the Davis-Bacon Act. The Davis-Bacon Act requires that an inflated "prevailing wage" be paid on all Federally funded or Federally assisted construction projects. This government regulation represents a hidden tax on construction jobs, inflates the costs of Federal construction, and destroys opportunities for employment for minorities, small firms, and less skilled workers.

Repeal the Service Contracts Act. The McNamara-O'Hara Service Contract Act of 1965 is a tax on jobs similar to Davis-Bacon except that it applies to service, rather than construction, contracts. The Act requires covered contractors and their successors to provide inflated wages and benefits at least equal to the locality's prevailing standards or those in a collective bargaining agreement of the previous contractor.

Terminate 63 Unneeded Boards and Commissions. This proposal terminates certain boards and commissions that have outlived their purpose and are now only embarrassing examples of government programs that never end.

Federal Employee Compensation. This budget makes no assumptions about Federal employee pay. If the Appropriations Committee can identify additional savings, the Budget Committee would have no objection to pay raises being given to Federal employees.

REPORT LANGUAGE

Fannie Mae and Freddie Mac. The Budget Committee requests that the House Committee on Banking conduct a review to explore the possibility of privatizing Fannie Mae and Freddie. The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation [Fannie Mae and Freddie Mac] are chartered and established by the Federal Government. In addition, they benefit from exemptions from State and local taxes, certain Federal regulations and they have access to the U.S. Treasury under certain circumstances. The result is a greater ability on the part of Fannie Mae and Freddie Mac to borrow money at more favorable rates. The U.S. government essentially provides equity capital by bolstering their credit ratings. This Federal affiliation benefits Fannie Mae and Freddie Mac, according to CBO, by 30 cents on every $100 dollars of long-term debt they have. Presently, they do not compensate the Federal Government for this benefit even though they are fully private corporations, wholly owned by private stockholders.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

Undistributed offsetting receipts involve financial transactions that are deducted from budget authority and outlays of the Government as a whole. The four major items in this function are the following: the employer's share of employee retirement programs, composed of the Federal Government's contribution to its employee retirement plans; receipts from the sale of leases on Outer continental shelf [OCS] lands, from annual rental fees, and from royalties on oil and gas production from leased Federal lands; receipts from the sale of major physical or loan assets; and charges for the use of assets owned or controlled by the Federal Government.

SUMMARY OF POLICY ASSUMPTIONS

[The items below are presented for illustrative purposes only. The Appropriations Committee and the authorizing committees with jurisdiction over the programs mentioned in this function will make final determinations about the program changes needed to meet the spending levels indicated. The proposals below are intended simply to indicate the Budget Committee's suggestions of one path toward reaching a balanced budget by fiscal year 2002.]

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

House Budget Committee policy assumptions	1995 level	1996	1997	1998	1999	2000	2001	2002
Function totals								
House Budget Committee balanced budget path:								
Budget Authority	−46,215	−41,224	−41,336	−45,185	−44,467	−46,866	−47,362	−49,267
Outlays	−46,215	−41,224	−41,336	−45,185	−44,467	−46,866	−47,362	−49,267
MANDATORY	Changes from 1995 Levels							
Increase Agency CSRS Contributions by 3 percent, Decrease FERS by 2.5 percent:								
Budget Authority	n/a	0	0	0	0	0	0	0
Outlays	9,682	−1,104	−1,570	−1,692	−1,978	−2,297	−2,883	−3,497
Increase Agency Contributions For Foreign Service CSR 3 percent, Decrease FERS by 2.5 percent:								
Budget Authority	n/a	0	0	0	0	0	0	0
Outlays	142	−8	−7	−3	−2	−1	0	1
Extend the Authority to Auction Spectrum:								
Budget Authority	n/a	0	−600	−2300	−3650	−3750	−2350	−2350
Outlays	n/a	0	−600	−2300	−3650	−3750	−2350	−2350
Privatize United States Enrichment Corporation (Asset Sale Proceeds):								
Budget Authority	n/a	−400	−1,100	0	0	0	0	0
Outlays	n/a	−400	−1,100	0	0	0	0	0
Sell Alaska Power (Asset Sale Proceeds):								
Budget Authority	n/a	−77	0	0	0	0	0	0
Outlays	n/a	−77	0	0	0	0	0	0
Sell the Naval Petroleum Reserve (Asset Sale Proceeds):								
Budget Authority	n/a	−2,000	0	0	0	0	0	0
Outlays	n/a	−2,000	0	0	0	0	0	0
Privatize SEPA (Asset Sale Proceeds) (Federal Dams):								
Budget Authority	n/a	0	−853	0	0	0	0	0
Outlays	n/a	0	−853	0	0	0	0	0
Privatize WAPA (Asset Sale Proceeds) (Federal Dams)								
Budget Authority	n/a	0	0	−2,687	0	0	0	0
Outlays	n/a	0	0	−2,687	0	0	0	0
Privatize SWAPA (Asset Sale Proceeds) (Federal Dams):								
Budget Authority	n/a	0	0	−574	0	0	0	0
Outlays	n/a	0	0	−574	0	0	0	0

Discussion of Policy Assumptions

MANDATORY SPENDING

Increase Civilian Federal Employee Contributions to Retirement Trust Fund by 2.5 Percent. The budget resolution assumes the same provision that passed the House in H.R. 1215 earlier this year.

Extend the Authority to Auction Spectrum. The Omnibus Budget Reconciliation Act of 1993 granted the Federal Communications Commission [FCC] limited authority to auction new licenses to use the radio spectrum. After four auctions, Federal receipts in excess of $9 billion have been raised and receipts in excess of $13 billion—including those already in hand—are anticipated through 1998. Equally important, the problems and impossibilities raised by many opponents of assigning licenses by auction have failed to materialize. The authority, however, was limited to a 5-year period ending on September 30, 1998 and did not extend to many classes of new licenses. The law excluded licenses issued to profit-making businesses that did not charge a subscription fee for telecommunications services. Most prominent among those excluded were licenses allowing the permit holder to offer broadcast television and radio supported by advertising. Also exempted were licenses permitting the holders to use spectrum for such private networks as intracorporate wireless communications systems. Exemptions also included permits for intermediary links in the delivery of communications service, such as frequencies used for microwave relays by long-distance telephone companies. Finally, the law did not explicitly permit the FCC to auction other valuable rights that it allocates, such as telephone dial codes and commercially attractive call letters for radio and television stations.

Privatize the United States Enrichment Corporation [USEC]. The USEC is a government corporation that was created in 1992. It produces and markets uranium enrichment services to utilities in the United States and foreign nations. Prior to 1992, these activities were conducted by the Department of Energy. To better compete in the competitive global uranium enrichment market, Congress created USEC with the goal that it be privatized. President Clinton also included this proposal in his budget. This proposal was also included in H.R. 1215, the Tax Fairness and Deficit Reduction Act. [Note: Another part of this provision appears in Function 270. This portion represents proceeds from the asset sale.]

Sell the Alaska Power Administration. These figures represent proceeds from the asset sale in this provision. Other fiscal effects appear in Function 270.

Sell the Naval Petroleum Reserves. These figures represent proceeds from the asset sale in this provision. Other fiscal effects appear in Function 270.

Convert Government Agencies that Generate Electric Power at Federal Dams into Private Corporations. These figures represent receipts from the asset sale in this provision. Other fiscal effects appear in Function 270.

THE CONGRESSIONAL BUDGET PROCESS

The spending and revenue levels set forth in the budget resolution are executed through two parallel but separate mechanisms: allocations to the appropriations and authorization committees and reconciliation directives to the authorizing committees. The budget resolution includes instructions directing the authorizing committees to report legislation complying with the entitlement, revenue, and deficit reduction targets. The report allocates to the Appropriations Committee a lump sum of discretionary spending authority.

ALLOCATIONS

As required under Section 602 of the Congressional Budget Act, the spending levels set forth in the resolution are implemented through an allocation of a single lump sum to the Committee on Appropriations and separate allocations to each of the authorizing committees.

The allocations establish the spending and revenue parameters for considering legislation with budgetary ramifications. These allocations will be operative for purposes of ensuring that legislation considered on the House floor is within the budgetary levels assumed in the budget resolution. That is, the as an aid in determining allocations will be used to determine whether legislation conforms to the requirements set forth in Sections 302, 303, 311 and 401 of the Congressional Budget Act.

Current Law versus Discretionary Action. A single lump sum is allocated the Appropriations Committee. Section 602 of the Budget Act requires that this amount be divided into two categories: amounts provided under current law and amounts subject to discretionary action. Amounts under current law encompass programs that provide direct spending—entitlement and other programs which have permanent new budget authority of offsetting receipts. Amounts subject to discretionary action refers to all legislative changes that would affect current law. For discretionary program discretionary action refers to the total amount of new budget authority and outlay subject to the approval appropriations process.

The authorizing committees' allocations are for two kinds of in direct budget authority: new entitlement authority and new budget authority. New budget authority is generally defined as authority provided by law to enter into financial obligations that will result in immediate or future outlays involving Federal Government funds.

Types of Spending Authority. New entitlement authority is defined as the authority to make payments, the budget authority for which is not provided by appropriations Acts, to any person or government if, under the provisions of the law containing such authority the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

602(b) Allocations. Upon receiving their 602(a) allocations, the appropriations committees are required to divide their respective 602(a) allocation among the 13 subcommittees. The subcommittees divide their respective 602(b)'s when they mark up individual appropriation bills.

RECONCILIATION

As provided in Section 310 of the Budget Act, the budget resolution includes reconciliation instructions to 12 authorizing committees to report changes in law necessary to achieve the direct spending and revenue levels in the budget resolution. Each of these committees is directed to achieve aggregate direct spending, and revenue levels or deficit reduction amount. It is these directives that trigger the appropriations legislation necessary to comply with the direct spending and revenue assumptions in the budget resolution.

Reporting Deadlines. The budget resolution directs these 12 authorizing committees to report out the necessary legislation by July 14, 1995. In addition, the Committees on Ways and Means and Commerce are requested to report out a second set of recommendations by September 14, 1995, related to restoring the solvency of the Medicare trust funds.

Directives. The budget resolution actually includes three kinds of directives. Each of the authorizing committees are instructed to achieve a specified direct spending level. The Committee on Ways and Means is reconciled to achieve a revenue floor. Four committees were also directed to achieve deficit reduction levels. The deficit reduction levels can be met through any combination of revenues and direct spending changes.

Direct spending is defined in the Balanced Budget and Emergency Deficit Control Act as the combination of budget authority provided by law other than appropriations Acts, entitlement authority, and the Food Stamp program. The most significant difference between direct spending and new entitlement authority, the term used in previous years, is that direct spending encompasses the Food Stamp program. As a consequence, spending the Food Stamp program will now be reconciled as part of the Committee on Agriculture's direct spending level rather than a separate directive for program changes.

The Committees on Banking, Housing, and Urban Affairs, International Affairs, and Government Reform and Oversight also is directed to achieve a specified level of deficit reduction. These targets may be met through any combination of changes in laws that affect direct spending or revenues. Any savings necessary to comply with these instructions are in addition to the savings they must achieve to meet their respective direct spending targets.

In addition to its reconciliation instructions for direct spending, the Committee on Economic and Educational Opportunities is directed to achieve a specified amount of savings through changes in authorizing laws for discretionary programs. These authorization changes need not actually reduce spending, but are necessary to achieve a certain amount of savings in discretionary spending that is reflected in the allocation to the Appropriations Committee. Although the Committee is expected to make these changes in authorizing law, the savings will not count toward meeting their direct spending target.

Assumptions. The committee targets assume the aggregate spending authority for programs that are under their primary jurisdiction as well as any savings from programs over which they exercise secondary jurisdiction. The exception is for Medicare—Part A and B are allocated to the Committees on Ways and Means and Commerce even though Commerce has no jurisdiction over Part A. This is done to provide the committees with maximum flexibility to design a program that will assure the solvency of the Medicare Trust Fund while protecting and preserving the benefits of the Medicare system. Committees that report changes in laws in which they have secondary jurisdiction will still get full credit for those changes.

In the case of reconciliation instructions for direct spending targets, the reconciliation instructions direct the authorizing committees to report changes in law such that the spending limits are not exceeded. Previous budget resolutions have directed the authorizing committees to make cuts from an inflated projection of future spending. To determine the magnitude of required changes, committees should compare the amounts programs would spend under current law with the amounts set forth in the budget resolution.

Term. The reconciliation targets are for fiscal year 1996, the 5-year total (1996–2000) and the 7-year total (1996–2002). As long as the committees meet each of these targets, they may determine how much is saved in years 1997, 1998, 1999 and 2000 and 2001 and 2002. These instructions are not inconsistent with those included in previous budget resolutions which reconciled for each year, but required compliance only for the first year and the 5 year total.

Flexibility. The authorizing committees are free to substitute their own policies as long as they meet their reconciliation target. If the authorization committees fail to report legislation achieving their reconciliation directives, then the Budget Act provides the Rules Committee, in concert with the Budget Committee, authority to make in order a substitute that would achieve the necessary savings.

The Committee on Ways and Means has additional flexibility in choosing between changes in tax and entitlement law. Under Section 310 of the Budget Act, provides that as long the net savings from changes in tax and entitlement law are met, the Committee may substitute up to 20 percent of the assumed changes in taxes with changes in entitlement spending.

ENFORCING THE BUDGET RESOLUTION

The budget resolution for fiscal year 1996 will be enforced through points of order that may be raised under the Congressional Budget Act of 1974. The Budget Act generally limits legislation to the aggregate and committee levels in the budget resolution. The budget resolution is not self-enforcing—a Member must raise a point of order at the appropriate point during the consideration of a bill or measure. The requirements under the Congressional Budget Act may be summarized as follows:

POINTS OF ORDER

Section 302.—Prohibits consideration of legislation that exceeds a committees allocation of new budget authority or new entitlement authority.

Section 303.—Prohibits consideration of legislation with a budgetary impact before the House has passed a budget resolution.

Section 311.—Prohibits consideration of legislation that exceeds the ceiling on budget authority and outlays or is less than the floor on revenues.

Section 401.—Prohibits consideration of legislation creating new entitlement authority in the year preceding the budget year.

ENFORCING A BALANCED BUDGET

The challenge of balancing does not end with passing a concurrent budget resolution that is in balance. After agreeing to a conference report on the budget resolution, the House will be confronted with the task of enforcing its spending and budget priorities against legislation that would breach the budget. The Budget Committee is committed to enforcing that budget to ensure that the spending and revenue levels set forth in the budget resolution are met.

To this end, Committee rules were revised to reinstate the authority of the Chairman to poll committee members on recommendations to the Rules Committee to enforce the budget resolution by not waiving the Congressional Budget Act. In the first 5 months of the 104th Congress, the Chairman successfully pressed for bill changes that saved more than $3 billion over 5 years.

STATUTORY CONTROLS OVER THE BUDGET

Since 1985, the ultimate enforcement over the budget is not procedural enforcement of the budget resolution, but the statutory controls designed to balance the budget or control spending. The latest generation of these controls, which were adopted as part of the Budget Enforcement Act in 1990, include caps on appropriations and a PAY-AS-YOU-GO requirement on tax and entitlement legislation. Both the caps and PAYGO are enforced through sequestration—automatic spending reductions.

The Committee intends to report legislation modifying these statutory provisions to enforce the spending and revenue levels set forth in the revised budget resolution. The discretionary spending limits will be reduced and extended through fiscal year 2002. Similarly , PAYGO requirements will be modified and extended through fiscal year 2002.

DISCRETIONARY SPENDING LIMITS

To fully enforce the reduction in discretionary spending levels assumed in the revised budget resolution and the allocations, the Committee will exercise its newly acquired legislative jurisdiction to report legislation reducing the discretionary spending limits below their current levels and extending these limits through fiscal year 2002.

The budget resolution assumes a reduction in the discretionary spending limits by $30,451,000,000 in fiscal year 1996 and $115,475,000,000 in budget authority and $80,925,000,000 in outlays over 3 years. The resolution further assumes that the caps, which are currently scheduled to expire at the end of fiscal year 1998, will be extended at least through fiscal year 2002.

These limits were initially imposed as part of the Budget Enforcement Act of 1990, which established statutory limits on defense, international affairs, and domestic discretionary spending through fiscal year 1993 and then a single cap on all discretionary spending through 1995. The Omnibus Budget Resolution of 1993 extended these limits through fiscal year 1998.

PAY-AS-YOU-GO

The Budget Committee will also report legislation extending the PAYGO requirement that legislation increasing the deficit through increases in direct spending or reductions in revenue must be offset during the course of any session. PAYGO is enforceable on a session-by-session, not bill-by-bill basis. Like the discretionary spending limits, PAYGO is enforced by sequestration. Any increase in the deficit for the fiscal year is offset with across-the-board cuts, subject to certain limitations, of all non-exempt entitlement programs.

PAYGO will also be extended through fiscal year 2002, the first year in which the budget is projected to be in balance. This requirement was initially set to expire in fiscal year 1995, but was extended through fiscal year 2000 in the Omnibus Budget Reconciliation Act of 1993. Consequently, any bill increasing entitlement spending or reducing revenues will have to be offset on a year by year basis.

The Committee will consider legislation relaxing the barrier between entitlement and taxes on one hand and discretionary appropriations on the other. The Committee will consider legislation that scores any reduction in the discretionary spending limits on the PAYGO scorecard. Under existing law, PAYGO does not allow the revenue "loss" from tax cuts to be offset by reductions in the discretionary caps. The committee reported similar legislation when it adopted H.R. 1219, the Discretionary Spending Reduction and Control Act of 1995 (later incorporated into H.R. 1215, the Tax Fairness and Deficit Reduction Act).

The purpose of these changes is to preserve the modest discipline inherent in PAYGO while providing the flexibility necessary for the present Congress to set its priorities, as it embarks upon a glidepath to a balanced budget.

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1996

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
APPROPRIATIONS COMMITTEE			
Current level (enacted law):			
050 National defense	214	214	0
150 International affairs	169	169	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1996—Continued

[In millions of dollars]

		Budget authority	Outlays	Entitlement authority
300	Natural resources and environment	2,094	1,947	0
350	Agriculture	11,967	1,530	0
370	Commerce and housing credit	38	138	0
400	Transportation	584	581	0
500	Education, training, employment, and social services	10,568	10,799	0
550	Health	103,457	103,461	0
570	Medicare	54,785	54,785	0
600	Income security	53,673	54,192	0
650	Social Security	23	23	0
700	Veterans benefits and services	19,344	17,783	0
750	Administration of Justice	411	409	0
800	General government	7,902	7,890	0
900	Net interest	15	15	0
	Subtotal	265,246	253,937	0
Discretionary appropriations action (assumed legislation):				
050	National defense	268,000	266,000	0
150	International affairs	18,293	20,718	0
250	General science, space, and technology	16,662	16,813	0
270	Energy	5,181	6,177	0
300	Natural resources and environment	18,867	20,043	0
350	Agriculture	3,568	3,786	0
370	Commerce and housing credit	1,980	2,480	0
400	Transportation	13,486	38,374	0
450	Community and regional development	6,653	10,125	0
500	Education, training, employment, and social services	35,129	40,080	0
550	Health	21,050	21,504	0
570	Medicare	2,992	2,992	0
600	Income security	35,423	39,526	0
650	Social Security	0	2,574	0
700	Veterans benefits and services	18,063	18,954	0
750	Administration of Justice	13,506	15,392	0
800	General government	10,751	11,441	0
920	Allowances	−2,324	−1,948	0
	Subtotal	487,326	535,082	0
750	Violent Crime Reduction Trust Fund	3,887	2,120	0
Discretionary action by other committees (assumed entitlement legislation):				
270	Energy	150	150	0
300	Natural resources and environment	−4	−4	0
350	Agriculture	−1,000	−1,000	0
370	Commerce and housing credit	−72	−72	0
400	Transportation	4,292	0	0
450	Community and regional development	−181	−181	0
500	Education, training, employment, and social services	−2,111	−1,221	0
550	Health	−2,938	−2,938	0
600	Income security	19,831	19,834	0
700	Veterans benefits and services	−276	−263	0
800	General government	−28	−28	0
	Subtotal	17,663	14,277	0
	Committee total	774,074	805,364	0
	AGRICULTURE COMMITTEE			
Current level (enacted law):				
150	International affairs	−474	−474	0
270	Energy	0	−645	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1996—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
300 Natural resources and environment	471	483	0
350 Agriculture	9,041	7,636	8,896
400 Transportation	40	40	0
450 Community and regional development	257	237	0
600 Income security	0	0	11
800 General government	251	250	0
900 Net interest	0	0	15
Subtotal	9,585	7,527	8,922
Discretionary action (assumed Legislation):			
600 Income security	0	0	1,169
Subtotal	0	0	1,169
Committee total	9,585	7,527	10,091
BANKING, FINANCE, AND FINANCIAL SERVICES COMMITTEE			
Current level (enacted law):			
150 International affairs	−585	−1,930	0
370 Commerce and housing credit	364	−9,258	0
450 Community and regional development	5	−79	0
600 Income security	50	100	0
800 General government	6	−27	0
900 Net interest	3,118	3,118	0
Subtotal	2,959	−8,074	0
Discretionary action (assumed Legislation):			
370 Commerce and housing credit	−110	−110	0
Subtotal	−110	−110	0
Committee total	2,849	−8,184	0
COMMERCE COMMITTEE			
Current level (enacted law):			
300 National resources and environment	0	3	0
500 Education, training, employment, and social services	1	1	0
550 Health	496	489	99,517
800 General government	8	8	0
Subtotal	506	501	99,517
Discretionary action (assumed Legislation):			
400 Transportation	−42	−42	0
550 Health	0	0	−2,938
950 Undistributed offsetting receipts	−500	−500	0
Subtotal	−542	−542	−2,938
Committee total	−36	−41	96,579
ECONOMIC AND EDUCATIONAL OPPORTUNITIES COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	3,891	3,726	4,389
600 Income security	153	143	9,575
Subtotal	4,044	3,870	13,965

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1996—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Discretionary action (assumed Legislation):			
500 Education, training, employment, and social services	−1,340	−915	−1,620
600 Income security	0	0	−1,292
Subtotal	−1,340	−915	−2,912
Committee total	2,704	2,955	11,053
GOVERNMENT REFORM AND OVERSIGHT COMMITTEE			
Current level (enacted law):			
550 Health	0	−44	3,818
600 Income security	39,209	38,140	−381
750 Administration of justice	40	40	40
800 General government	12,870	12,870	0
900 Net interest	93	93	0
Subtotal	52,212	51,099	3,477
Discretionary action (assumed Legislation):			
950 Undistributed offsetting receipts	−7	−7	0
Subtotal	−7	−7	0
Committee total	107	107	0
HOUSE OVERSIGHT COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	21	18	0
800 General government	72	186	275
Subtotal	93	204	275
Committee total	93	204	275
INTERNATIONAL RELATIONS COMMITTEE			
Current level (enacted law):			
150 International affairs	13,416	13,580	0
400 Transportation	7	10	0
600 Income security	506	506	0
800 General government	5	5	0
Subtotal	13,933	14,100	0
Committee total	13,933	14,100	0
JUDICIARY COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	197	197	0
600 Income security	62	18	9
750 Administration of justice	1,451	1,439	233
800 General government	517	517	0
Subtotal	2,227	2,170	242
Committee total	2,227	2,170	242
NATIONAL SECURITY COMMITTEE			
Current level (enacted law):			
050 National defense	12,592	12,355	0
300 Natural resources and environment	3	2	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1996—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
400 Transportation	0	−5	0
500 Education, training, employment, and social services	4	3	0
600 Income security	28,534	28,427	0
700 Veterans benefits and services	197	190	190
Subtotal	41,330	40,971	190
Committee total	41,330	40,971	190
RESOURCES COMMITTEE			
Current level (enacted law):			
270 Energy	−93	−377	0
300 Natural resources and environment	772	700	0
370 Commerce and housing credit	67	11	0
450 Community and regional development	405	373	0
550 Health	5	5	0
800 General government	863	865	165
Subtotal	2,018	1,577	165
Discretionary action (assumed Legislation):			
950 Undistributed offsetting receipts	−77	−77	0
Subtotal	−77	−77	0
Committee total	1,941	1,500	165
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE			
Current level (enacted law):			
270 Energy	943	820	0
300 Natural resources and environment	417	361	0
400 Transportation	22,227	12	581
450 Community and regional development	5	105	0
600 Income security	14,795	14,774	0
800 General government	16	16	0
Subtotal	38,403	16,088	581
Discretionary action (assumed Legislation):			
950 Undistributed offsetting receipts	−2000	−2000	0
Subtotal	−2,000	−2,000	0
Committee total	36,403	14,088	581
SCIENCE COMMITTEE			
Current level (enacted law):			
250 General science, space, and technology	39	39	0
500 Education, training, employment, and social services	1	1	0
Subtotal	40	40	0
Committee total	40	40	0
SMALL BUSINESS COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	3	−164	0
450 Community and regional development	0	−286	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1996—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Subtotal	3	−450	0
Committee total	3	−450	0
VETERANS' AFFAIRS COMMITTEE			
Current level (enacted law):			
700 Veterans benefits and services	1,519	1,532	19,303
Subtotal	1,519	1,532	19,303
Discretionary action (assumed legislation):			
700 Veterans benefits and services	−11	−11	−195
Subtotal	−11	−11	−195
Committee totals	1,508	1,521	19,108
WAYS AND MEANS COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	0	0	8,152
550 Health	0	−28	0
570 Medicare	206,253	203,935	199,066
600 Income security	43,629	42,502	36,934
650 Social security	7,371	7,371	0
750 Administration of justice	405	370	0
800 General government	540	534	0
900 Net interest	371,695	371,695	371,695
Subtotal	629,892	626,380	615,847
Discretionary action (assumed Legislation):			
500 Education, training, employment, and social services	−354	−152	−555
570 Medicare	−4,980	−4,980	0
600 Income security	−18	−18	−2,398
Subtotal	−5,352	−5,150	−2,953
Committee total	624,540	621,230	612,894
UNASSIGNED TO COMMITTEES			
Current level (enacted law):			
050 National defense	−13,512	−13,512	0
150 International affairs	−15,019	−15,019	0
270 Energy	−1,824	−1,824	0
300 Natural resources and environment	−3,341	−3,344	0
350 Agriculture	−10,535	−135	0
370 Commerce and housing credit	−154	−154	0
400 Transportation	−138	−138	0
450 Community and regional development	−397	−397	0
500 Education, training, employment, and social services	−75	−75	0
550 Health	−127	−127	0
570 Medicare	−79,975	−79,975	0
600 Income security	−13,191	−13,191	0
650 Social security	−1,514	−1,514	0
700 Veterans benefits and services	−1,249	−1,249	0
750 Administration of justice	−1,947	−1,947	0
800 General government	−22,453	−22,453	0
900 Net interest	−79,094	−79,094	−64,907
950 Undistributed offsetting receipts	−31,290	−31,290	0

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 602(a) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1996—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Subtotal	−275,836	−265,440	−64,907
Discretionary action (assumed Legislation):			
800 General government	306	306	0
950 Undistributed offsetting receipts	−543	−543	0
Subtotal	−237	−237	0
Committee total	−276,073	−265,677	−64,907
Total—current level	788,174	746,030	697,578
Total—discretionary action	499,153	542,379	−7,829
Grand total	1,287,327	1,288,409	689,749

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	1996–2000
Appropriations Committee:						
Current level:						
Budget authority	265,246	289,938	311,611	338,978	373,980	1,579,753
Outlays	253,937	281,099	303,836	331,886	369,129	1,539,887
Discretionary action:						
Defense:						
Budget authority	268,000	270,000	278,000	282,000	288,000	1,386,000
Outlays	266,000	266,000	266,000	272,000	280,000	1,350,000
International:						
Budget authority	18,293	16,761	14,721	13,615	15,529	75,919
Outlays	20,718	19,188	17,126	15,434	13,705	86,171
Domestic:						
Budget authority	201,033	199,345	204,584	199,152	196,824	1,000,938
Outlays	248,363	237,474	230,895	227,509	225,969	1,170,210
Violent Crime Reduction Trust Fund:						
Budget authority	3,887	3,932	4,123	4,906	4,906	21,754
Outlays	2,120	3,089	3,740	4,315	4,774	18,038
Subtotal:						
Budget authority	491,213	490,038	501,428	499,673	505,259	2,484,611
Outlays	537,201	525,751	517,761	519,258	524,448	2,624,419
Discretionary action by other committees:						
Budget authority	15,476	5,936	−146	−9,743	−19,347	−7,824
Outlays	16,149	6,136	−643	−9,725	−19,364	−7,447
Committee total:						
Budget authority	771,934	785,912	812,894	828,907	856,892	4,056,539
Outlays	807,287	812,986	820,953	841,420	874,213	4,156,859
Agriculture Committee:						
Current level (enacted law):						
Budget authority	9,585	9,448	9,331	9,125	8,877	46,366
Outlays	7,527	7,121	7,092	6,747	6,504	34,991
Discretionary action:						
Budget authority	−1,000	−1,000	−2,000	−2,000	−3,000	9,000
Outlays	−1,000	−1,000	−2,000	−2,000	−3,000	−9,000
Committee total:						
Budget authority	8,585	8,448	7,331	7,125	5,877	37,366
Outlays	−6,527	6,121	5,092	4,747	3,504	25,991

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	1996–2000
New entitlement authority	169	220	−736	−693	−1,647	−2,687
Banking and Financial Services Committee:						
Current level (enacted law):						
Budget authority	2,959	2,345	1,767	1,265	1,447	9,783
Outlays	−8,074	−6,105	−7,441	−5,484	−4,782	−31,886
Discretionary action:						
Budget authority	−291	2,111	1,402	1,093	983	5,298
Outlays	−291	2,111	1,402	1,093	983	5,298
Committee total:						
Budget authority	2,668	4,456	3,159	2,358	2,430	15,081
Outlays	−8,365	−3,994	−6,039	−4,391	−3,799	−26,588
Commerce Committee:						
Current level (enacted law):						
Budget authority	506	499	487	442	423	2,357
Outlays	501	495	484	441	422	2,343
Discretionary action:						
Budget authority	−508	−1,860	−2,485	−3,920	−4,098	−12,871
Outlays	−508	−1,860	−2,485	−3,920	−4,098	−12,871
Committee total:						
Budget authority	−36	−1,244	−1,858	−3,150	−3,271	−9,559
Outlays	−41	−1,248	−1,861	−3,151	−3,272	−9,573
New entitlement authority	−2,938	−8,368	−16,341	−24,892	−33,795	−86,334
Economic Opportunity Committee:						
Current level (enacted law):						
Budget authority	4,044	3,224	3,084	3,377	3,617	17,346
Outlays	3,870	3,067	2,726	2,898	3,133	15,694
Discretionary action:						
Budget authority	−2,390	−2,565	−2,685	−2,805	−2,940	−13,385
Outlays	−1,620	−2,490	−2,645	−2,770	−2,900	−12,425
Committee total:						
Budget authority	1,654	659	399	572	677	3,961
Outlays	2,250	577	81	128	233	3,269
New entitlement authority	−2,912	−4,626	−3,363	−3,327	−3,188	−17,416
Government Reform and Oversight Committee:						
Current level (enacted law):						
Budget authority	52,212	54,388	56,472	58,527	60,676	282,275
Outlays	51,099	53,381	55,541	57,523	59,495	277,039
Discretionary action:						
Budget authority	−550	−463	−91	126	369	−609
Outlays	−550	−463	−91	126	369	−609
Committee total:						
Budget authority	51,662	53,925	56,381	58,653	61,045	281,666
Outlays	50,549	52,918	55,450	57,649	59,864	276,430
New entitlement authority	−7	−43	−113	−200	−299	−662
House Oversight Committee:						
Current level (enacted law):						
Budget authority	93	93	93	94	95	468
Outlays	204	28	26	54	242	554
International Relations Committee:						
Current level (enacted law):						
Budget authority	13,933	12,778	11,140	9,371	10,060	57,282
Outlays	14,100	13,440	12,359	10,920	10,376	61,195
Discretionary action:						
Budget authority	0	−1	−2	−3	−3	−9
Outlays	0	−1	−2	−3	−3	−9
Committee total:						
Budget authority	13,933	12,777	11,138	9,368	10,057	57,273
Outlays	14,100	13,439	12,357	10,917	10,373	61,186
New entitlement authority	0	−1	−2	−3	−3	−9

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	1996–2000
Judiciary Committee:						
Current level (enacted law):						
Budget authority	2,227	2,320	2,330	2,425	2,529	11,831
Outlays	2,170	2,264	2,273	2,367	2,469	11,543
Discretionary action:						
Budget authority	0	0	0	−119	−119	−238
Outlays	0	0	0	−119	−119	−238
Committee total:						
Budget authority	2,227	2,320	2,330	2,306	2,410	11,593
Outlays	2,170	2,264	2,273	2,248	2,350	11,305
National Security Committee:						
Current level (enacted law):						
Budget authority	41,330	43,031	44,997	47,715	49,782	226,855
Outlays	40,971	42,825	44,864	47,543	49,605	225,808
Discretionary action:						
Budget authority	−2,000	477	470	445	424	−184
Outlays	−2,000	477	470	445	424	−184
Committee total:						
Budget authority	39,330	43,508	45,467	48,160	50,206	226,671
Outlays	38,971	43,302	45,334	47,988	50,029	225,624
Public Lands and Resources Committee:						
Current level (enacted law):						
Budget authority	2,018	2,172	2,254	2,221	2,231	10,896
Outlays	1,577	1,765	2,230	2,296	2,282	10,150
Discretionary action:						
Budget authority	−81	−849	−3,872	637	188	3,977
Outlays	−81	−849	−3,872	637	188	−3,977
Committee total:						
Budget authority	1,937	1,323	−1,618	2,858	2,419	6,919
Outlays	1,496	916	−1,642	2,933	2,470	6,173
Science Committee:						
Current level (enacted law):						
Budget authority	40	41	41	41	41	204
Outlays	40	41	41	41	41	204
Small Business Committee:						
Current level (enacted law):						
Budget authority	3	3	2	2	2	12
Outlays	−450	−170	−526	−452	−147	−1,745
Transportation and Infrastructure Committee:						
Current level (enacted law):						
Budget authority	38,403	42,369	16,419	16,640	16,708	130,539
Outlays	16,088	15,858	15,906	16,091	16,247	80,190
Discretionary action:						
Budget authority	−4,250	2,246	29,323	30,243	31,207	97,269
Outlays	−42	−43	−45	−96	−98	−324
Committee total:						
Budget authority	42,653	44,616	45,742	46,883	47,915	227,809
Outlays	16,046	15,815	15,861	15,995	16,149	79,866
New entitlement authority	0	0	0	−3	−6	−9
Veterans' Affairs Committee:						
Current level (enacted law):						
Budget authority	1,519	1,450	1,389	1,315	1,241	6,914
Outlays	1,532	1,538	1,559	1,568	1,473	7,670
Discretionary action:						
Budget authority	−90	−107	−211	−494	−531	−1,433
Outlays	−90	−107	−211	−494	−531	−1,433
Committee total:						
Budget authority	1,429	1,343	1,178	821	710	5,481
Outlays	1,442	1,431	1,348	1,074	942	6,237
New entitlement authority	−195	−265	−323	−729	−885	−2,397

ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTIONS 302(a)/602(a) OF THE CONGRESSIONAL BUDGET ACT—Continued

[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000	1996–2000
Ways and Means Committee:						
Current level (enacted law):						
Budget authority	629,836	665,374	700,416	742,659	783,904	3,522,189
Outlays	626,324	662,403	697,467	738,809	781,126	3,506,129
Discretionary action:						
Budget authority	−6,707	−15,844	−25,213	−37,218	−51,646	−136,628
Outlays	−6,617	−15,883	−25,229	−37,240	−51,653	−136,622
Committee total:						
Budget authority	623,129	649,530	675,203	705,441	732,258	3,385,561
Outlays	619,707	646,520	672,238	701,569	729,473	3,369,507
New entitlement authority	−9,453	−19,522	−29,464	−42,302	−57,516	−158,257
Unassigned to Committee:						
Current level (enacted law):						
Budget authority	−275,376	−285,694	−301,952	−321,311	−347,558	−1,531,891
Outlays	−264,966	−276,932	−294,048	−314,942	−341,462	−1,492,350
Discretionary action:						
Budget authority	−237	103	846	1,431	2,054	4,197
Outlays	−237	103	846	1,431	2,054	4,197
Committee total:						
Budget authority	−276,073	−286,062	−302,251	−321,380	−347,227	−1,532,993
Outlays	−265,677	−277,662	−294,250	−314,680	−341,227	−1,493,496
Total current level:						
Budget authority	788,578	843,780	859,882	912,885	968,055	4,373,180
Outlays	746,449	802,122	844,391	898,307	956,154	4,247,423
Total discretionary action:						
Budget authority	497,321	478,119	495,918	475,915	453,745	2,401,018
Outlays	540,552	511,779	482,410	465,193	444,646	2,444,580
Grand total:						
Budget authority	1,285,900	1,321,900	1,355,800	1,388,800	1,421,800	6,774,200
Outlays	1,287,000	1,313,900	1,326,800	1,363,500	1,400,800	6,692,000
Total new entitlement authority	−15,336	−32,605	−50,342	−72,136	−97,309	−267,728

RECONCILIATION BY HOUSE COMMITTEE

(In millions of dollars)

Recommendations Due July 14, 1995

Committee	1995 Base	1996	1996 to 2000	1996 to 2002
Agriculture: Direct Spending	37,413	35,824	171,886	263,102
Banking and Financial Services:				
Direct Spending	−17,750	−12,897	−43,065	−57,184
Deficit Reduction	....	0	−100	−260
Commerce: Direct Spending	268,120	293,665	1,726,600	2,625,094
Economic & Educational Opportunities:				
Direct spending	17,510	13,727	61,570	95,520
Authorization	....	−720	−5,908	−9,018
Government Reform and Oversight:				
Direct Spending	56,686	57,725	313,647	455,328
Deficit Reduction	....	988	9,618	14,740
International Relations:				
Direct Spending	14,463	14,239	62,066	83,207
Deficit Reduction	....	−19	−95	−123
Judiciary: Direct Spending	2,985	2,580	14,043	20,029
National Security: Direct Spending	39,479	38,769	224,682	328,334
Resources: Direct Spending	1,816	1,558	6,532	12,512
Transportation and Infrastructure: Direct Spending	16,794	16,636	83,227	117,079
Veterans' Affairs: Direct Spending	20,363	19,041	105,965	154,054
Ways and Means:				
Direct Spending	315,424	356,336	2,152,905	3,297,987
Revenues	972,288	1,027,612	5,371,087	7,836,405

RECONCILIATION BY HOUSE COMMITTEE—Continued

(In millions of dollars)

Recommendations Due July 14, 1995

Committee	1995 Base	1996	1996 to 2000	1996 to 2002
Offset to Multiple Jurisdictions:				
Direct Spending	....	2,190	3,681	1,505
Deficit Reduction	....	19	95	123
Total:				
Direct spending	773,303	839,393	4,883,739	7,396,567
Deficit Reduction	....	988	9,518	14,480
Revenues	....	1,027,612	5,371,087	7,836,405
Authorization	....	−720	−5,908	−9,018

RECONCILIATION BY HOUSE COMMITTEE

(In millions of dollars)

Recommendations Due September 14

Committee	1995 Base	1996	1996 to 2000	1996 to 2002
Commerce: Direct Spending	268,120	287,165	1,592,200	2,338,694
Ways and Means: Direct Spending	315,424	349,836	2,018,505	3,009,587
Offset to Multiple Jurisdictions: Direct Spending	....	6,500	134,400	286,400
Total: Direct Spending	583,544	643,501	3,745,105	5,634,681

1995 CURRENT LAW PROJECTIONS (AS PROVIDED BY THE CONGRESSIONAL BUDGET OFFICE)

(In millions of dollars)

Committee	1995	1996	1996 to 2000	1996 to 2002
Agriculture: Direct Spending	37,413	38,608	204,289	295,505
Banking and Financial Services: Direct Spending	−17,750	−12,608	−48,363	−62,721
Commerce: Direct Spending	268,120	299,188	1,828,648	2,830,804
Economic and Educational Opportunities: Direct Spending	17,510	16,752	86,847	127,032
Government Reform and Oversight: Direct Spending	56,686	58,282	315,053	457,472
International Relations: Direct Spending	14,463	14,246	62,085	83,224
Judiciary: Direct Spending	2,985	2,580	13,972	20,006
National Security: Direct Spending	39,479	40,769	224,866	327,751
Resources: Direct Spending	1,816	1,633	10,479	15,171
Transportation and Infrastructure: Direct Spending	16,794	16,678	83,551	117,605
Veterans' Affairs: Direct Spending	20,363	19,315	109,579	160,445
Ways and Means: Direct Spending	315,424	360,601	2,196,238	3,345,623
Total: Direct Spending	773,303	856,044	5,087,244	7,717,917

ECONOMIC BACKGROUND AND ASSUMPTIONS

STATE OF THE ECONOMY IN 1994: FED ACTS TO FORESTALL INFLATION

The economy grew at above its potential rate in 1994, prompting the Federal Reserve Board to raise interest rates repeatedly to avert inflationary pressures. The Federal Reserve, reacting to credit markets, shifted to an anticipatory tight monetary policy in early 1994, raising short-term interest rates several times during the year. Because increasing interest rates only affect the economy with a lag, much of the effect of these increases will occur in 1995. By raising interest rates, the objective of the Federal Reserve is to slow the economy and avoid inflation without precipitating a recession. Hence, a slower economy is expected in 1995.

Real gross domestic product [GDP] grew by 3.7 percent, continuing the momentum started in 1993. This rate is above the potential 2.4 percent trend GDP growth rate at which the economy should grow if all resources were fully employed. The unemployment rate fell to an unsustainably low 5.4 percent at the end of 1994, as the capacity utilization level reached very high levels. Continuation of such trends typically leads to increased inflation from supply constraints, even though inflation remained low during the year, averaging 2.6 percent.

The two key factors in explaining the growth of GDP during 1994 were growth in consumer spending and business investment, especially in equipment and structures. Both factors were fueled by the low interest rates that reached a trough during 1993. Despite increases in interest rates in 1994, their strong growth continued.

Consumer spending was affected by improved consumer confidence, strong growth in consumer installment credit, and rising real disposable incomes. Rising real disposable incomes, which resulted from increases in both employment and hours worked, had a pronounced effect on spending on durable goods, especially autos, furniture, and appliances. Business investment grew because of growth in corporate profits. Investment in business equipment—producer's durables—grew at a rate of about 18 percent both in 1993 and 1994.

BENEFITS OF BALANCING THE BUDGET

The committee's budget plan seeks to eliminate the Federal deficit by 2002. Economists generally believe that economic benefits of balancing the budget include lower interest rates, a faster rate of economic growth, increased national wealth, increased rate of saving and investment, faster growth in the capital stock, higher productivity, and improved trade balances.

Federal Reserve Chairman Greenspan has testified on the benefits from balancing the budget before the House Budget Committee on March 8, 1995. In response to two questions: What would you tell the American people the reasons would be for making some tough choices up front? What are the gains that comes to this country and to the next generation? Chairman Greenspan said the following:

> The effects, I think, would be rather startling. I do not think we have seen * * * how [the] economy would function * * * without pressures that tend to push * * * interest rates to levels which do impede long-term economic growth. I think that productivity would accelerate * * * the inflation rate would be subdued * * * the general state of financial markets would be far more solid than we have seen in a particularly long period of time * * * the underlying outlook would be significantly improved for long-term economic growth. Real incomes, the purchasing power of their real incomes would significantly improve * * * they [most Americans] would look forward to their children doing better than they * * * long-term interest rates will fall significantly as I have indicated to this committee many times in the past.

In its assessment of the President's budget, "An Analysis of the President's Budgetary Proposals for Fiscal Year 1996," the Congressional Budget Office [CBO] estimated that a credible illustrative balance budget path of spending cuts can generate roughly $170 billion over 7 years in additional deficit reduction. CBO estimated the macroeconomic effects on savings and investment of balancing the budget given a favorable monetary policy. The estimates of economic gains results from two main factors: lower interest rates and a slightly higher rate of economic growth. CBO believes that balancing the budget will decrease long-term interest rates by 1 percent to 2 percent. In its illustrative path, interest rates are assumed to decline an average of 1.5 percent by 2002. The rate at which interest rates may fall is highly uncertain. Based on historical patterns of positive real interest rates, however, large and rapid declines in interest rates can be rejected. Similarly, based on the U.S. position in global capital markets, the case of low or no response in interest rates also can be rejected.

Furthermore, the CBO estimates that reductions in interest rates will increase investment spending enough to generate a small amount of productivity increase. This small increase in productivity will increase the rate of economic growth by 0.1 percent more per year, resulting in a level of GDP that is 0.8 percent higher than current policy by 2002. Balancing the budget will redirect resources from consumption toward investment, thereby increasing the Nation's capital stock and national wealth by about 60 to 80 percent of the deficit reduction.

THE RECOMMENDED ECONOMIC ASSUMPTIONS

THE SHORT-TERM OUTLOOK FOR 1995 AND 1996

The Budget Resolution recommended by the committee is based on CBO's January economic forecast and projections. The January forecast has been modified to include CBO's estimate of the potential economic impacts of balancing the budget by 2002. The table below lists and compares the committee's assumptions with those released by the administration [OMB], the Blue Chip consensus of private forecasts and CBO. In general, the recommended assumptions are relatively close to these alternative forecasts. The committee believes that these assumptions are reasonable and conservative estimates of the outlook for the economy.

The key forces that drove economic growth in 1994 all moderated during the first quarter of 1995. By the beginning of the second quarter, definite and significant signs of a slowing economy appeared. Employment growth slowed, raising the unemployment rate for April to 5.8 percent. The Composite Index of Leading Indicators decreased by 0.5 percent in March, after falling by 0.2 percent in February. Because of lower orders and accumulating inventories, investment slowed from the rapid pace established earlier. New orders for manufactured goods decreased in March by 0.1 percent. This followed a 0.3 percent decline in February. Capacity utilization declined to 84.9 percent in March after registering 85.4 percent in February. Inflation remained stable at 2.9 percent in March. Because of the slowdown in the economy, the Federal Reserve is expected to pursue a neutral monetary policy in the foreseeable future.

CBO's January forecast and the committee's recommendation are nearly identical in the first 2 years, the only difference being in slightly lower interest rates. However, both sets of assumptions are significantly less optimistic than OMB and the Blue Chip forecasts. In particular, GDP growth in 1996 is much lower, reflecting CBO's expectation of the effects of Fed tightening. The current slowdown is sharper than originally forecasted; a continuation of such a trend may be a prelude to a recession or a long period of below-trend growth. These scenarios are unlikely, however, given the underlying strength of the economy. A more accurate characterization of this slowdown is that it is a "pause that refreshes" which will result in sustained growth with low inflation as captured in all four forecasts.

THE 7-YEAR ECONOMIC PROJECTIONS

The committee assumptions for the subsequent 1998–2002 period reflects balancing of the budget and the assumption that the Federal Reserve will be successful in its effort to slow the growth in the economy to its long-term trend. Both the CBO projection and the committee recommendation are similar, except for substantially lower interest rates and slightly higher growth, due to balancing the budget, and lower inflation. As before, these growth assumptions are still less optimistic than the OMB and Blue Chip forecasts.

The Consumer Price Index [CPI] is a biased measure of the change in the cost of living. Federal Reserve Chairman Alan Greenspan has testified before this committee that the bias in the CPI is between 0.4 percent and 1.5 percent annually. CBO, in its report, "Is the Growth of the CPI a Biased Measure of Changes in the Cost of Living," estimated a range of 0.2 percent to 0.8 percent annually. Other leading authorities have estimated the bias to center about 1 percent annually. The committee also believes that the CPI is biased and assumes that technical corrections can be made to reduce the index. These corrections are based on fully funding current Bureau of Labor Statistics [BLS] proposals that are estimated to reduce the CPI bias by 0.6 percent annually, starting in

1999. The GDP deflator has been revised accordingly, since approximately 70 percent of it is based on the CPI.

First, the BLS is scheduled to finish its periodic "rebenchmark" the CPI in 1998, to reflect consumption patterns for the 1993–95 period, along with other changes. The CPI is a fixed-weight index that does not reflect changed consumption patterns when prices change. This substitution bias is temporarily corrected by periodic updating of weights—rebenchmarking—every decade or more; after rebenchmarking, this bias begins anew. Rebenchmarking by 1998 will reduce the bias in the CPI by 0.2 percent annually beginning in 1999.

Second, the BLS should "reweigh" the CPI more frequently as other countries do. If the BLS were to reweigh the CPI in 1998 using consumption patterns established in 1997, the bias in the CPI would be reduced, beginning in 1999, by an additional 0.2 percent annually.

Finally, the BLS should develop methods to separate out price changes due to quality changes from cost-of-living changes. Price increases that result from quality improvements should not increase the cost of living, as they do currently. Proposed BLS efforts will attempt to apply "hedonic indexing" techniques more widely, starting with home electronics and appliances. More general use of hedonic methods, for all consumer durables, is being studied. The use of such methods will likely reduce the bias in the CPI by 0.2 percent annually starting in 1999. In addition, the committee recommends the creation of a Technical Advisory Commission to advise the BLS on technical issues and thereby accelerate its research and development program. The BLS estimates the cost of the above research, including the commission of technical experts, to be less than $4 million per year.

COMPARISON OF ECONOMIC ASSUMPTIONS

[Calendar year]

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002
Real GDP (percent year over year):									
OMB	4.0	2.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Blue Chip	....	3.2	2.2	2.0	2.3	2.9	2.8	2.4	n.a.
CBO	....	3.1	1.8	2.4	2.3	2.3	2.3	2.3	2.3
Committee	....	3.1	1.8	2.5	2.4	2.4	2.4	2.4	2.4
GDP Deflator (percent year over year):									
OMB	2.1	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Blue Chip	....	2.6	3.2	3.3	3.1	3.0	3.0	3.1	n.a.
CBO	....	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Committee	....	2.6	2.8	2.8	2.8	2.4	2.4	2.4	2.4
Inflation, CPI (percent year over year):									
OMB	2.6	3.1	3.2	3.2	3.2	3.1	3.1	3.1	3.1
Blue Chip	....	3.2	3.6	3.6	3.4	3.4	3.4	3.4	n.a.
CBO	....	3.1	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Committee	....	3.1	3.4	3.4	3.4	2.8	2.8	2.8	2.8
Unemployment Rate (annual rate):									
OMB	6.1	5.8	5.9	5.8	5.8	5.8	5.8	5.8	5.8
Blue Chip	....	5.5	5.7	6.0	6.2	6.0	5.8	5.8	n.a.
CBO	....	5.5	5.7	5.8	5.9	6.0	6.0	6.0	6.0
Committee	....	5.5	5.7	5.8	5.9	6.0	6.0	6.0	6.0
3-month Treasury Bills rate (annual rate):									
OMB	4.2	5.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Blue Chip	....	6.1	6.1	5.5	5.3	5.2	5.4	5.5	n.a.
CBO	....	6.2	5.7	5.3	5.1	5.1	5.1	5.1	5.1

COMPARISON OF ECONOMIC ASSUMPTIONS—Continued

[Calendar year]

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002
Committee	....	6.2	5.5	4.9	4.5	4.2	4.0	4.0	4.0
10-year Treasury Note rates (annual rate):									
OMB	7.1	7.9	7.2	7.0	7.0	7.0	7.0	7.0	7.0
Blue Chip	....	7.6	7.4	7.2	7.2	7.2	7.2	n.a.	n.a.
CBO	....	7.7	7.0	6.7	6.7	6.7	6.7	6.7	6.7
Committee	....	7.7	6.8	6.2	5.9	5.6	5.3	5.1	5.1

Note. OMB and CBO (April baseline) extended for years 2001 and 2002 from year 2000.

Source. CBO an Analysis of the President's Budgetary Proposal for Fiscal Year 1996 (April, 1995). Table 4. OMB. Analytical Perspectives Budget of the US Government FY 1996 (Feb 7, 1995). Table 1–1. Blue Chip Economic Indicators (March 10, 1995). 10 year note rate as adjusted by CBO in January.

REVENUES

H.R. 1215, the Tax Fairness and Deficit Reduction Act of 1995, includes provisions that would provide tax relief to families with a $500 per child tax credit, reduce the tax penalty on two-earner married couples, encourage savings through a new American Dream savings account, repeal the 1993 tax increase on Social Security benefits, reduce the cost of capital and increase incentives for risk-taking by indexing and reducing the effective tax rate on capital gain income. H.R. 831, enacted earlier this year, restores the 25-percent deduction for health insurance costs of self-employed individuals for 1994, and increases it permanently to 30 percent thereafter. Revenues also contain the effect of shifting from dollar bills to dollar coins and the employee share of retirement trust contributions..

The payroll taxes for social insurance—Social Security, Medicare, and unemployment compensation—have risen to over one-third of total revenues and are now more than three times as large as corporate income tax revenues. This change, rooted in expansion of the Social Security System and diminished domestic corporate profits as a percent of GDP, was magnified by Social Security legislation in 1977 and 1993.

The committee anticipates that the Committee on Ways and Means will explore restoration or continuation of certain tax and trade provisions that have expired or will soon expire as well as certain other tax measures. The committee expects that the Committee on Ways and Means—in seeking to offset the cost of these measures—will look to changes reducing inappropriate corporate tax benefits, other appropriate revenue offsets, and spending reductions within the committee's jurisdiction.

Three illustrative examples of inappropriate tax benefits that may be considered by the Committee on Ways and Means are the following:

—*Corporate Tax Shelter Reporting.* In recent years, investment bankers and others have marketed to corporations aggressive tax planning transaction structures. These structures are typically revealed to potential users under conditions that the user maintain as confidential, even after completion of the transaction, the way in which the tax-planning device works. The confidentiality agreements serve both to insure that the investment banker can generate multiple fees from the transaction structure and that the Internal Revenue Service not become aware of the tax planning device. This proposal would require that those marketing to corporations tax shelters involving proprietary tax planning techniques register those tax shelters with the Internal Revenue Service. This is an expansion of existing tax shelter registration rules.

—*Corporate Options Reporting: Require Brokers to Report Sales of Corporate Options as They Do for Sales of Stocks and Bonds.* Section 6045 of the Internal Revenue Code gives the Treasury authority to require a broker to file an information return (i.e., a form 1099) with the IRS whenever a customer transacts business with the broker. Current regulations require broker reporting when customers buy or sell securities (i.e., stocks and bonds), but not when they trade several other types of corporate financial assets, such as options. In recent years, the value and volume of trading of these other types of corporate financial assets has greatly increased. Thus, greater compliance would result if brokers were required to file for options trading the same kind of information returns that they are required to file for stock trading.

—*Corporate Redemption Legislation (H.R. 1551).* Some corporations have recently structured redemptions of stock (taxable to the redeemed party as a sale of the stock) to look like dividend payments (only partially taxable because of the corporate dividends received deduction). This legislation would treat such transactions as redemptions.

The committee also is greatly concerned about the growing phenomenon of millionaire and billionaire Americans renouncing U.S. citizenship in order to avoid paying their fair share of our society's tax burden. The committee strongly believes that the Congress should take steps to stem the revenue loss from expatriation for tax avoidance.

REVENUE COMPARISONS

TABLE 1.—Comparison of Total Budget Revenues

[In billions of dollars]

	Amount
Fiscal year:	
1990 actual	1,031.3
1991 actual	1,054.3
1992 actual	1,091.6
1993 actual	1,153.2
1994 actual	1,257.7
1995 estimated (CBO)	1,355.2
Fiscal year 1996:	
Administration's request (February 1995)	1,415.5
Committee level	1,432.2
Fiscal year 1997:	
Administration's request (February 1995)	1,471.6
Committee level	1,450.5
Fiscal year 1998:	
Administration's request (February 1995)	1,548.8
Committee level	1,511.0
Fiscal year 1999:	
Administration's request (February 1995)	1,624.7
Committee level	1,569.6
Fiscal year 2000:	
Administration's request (February 1995)	1,710.9
Committee level	1,641.3

TABLE 2.—Comparison of On-Budget Revenues

[In billions of dollars]

	Amount
Fiscal year:	
1990 actual	749.7
1991 actual	760.4
1992 actual	789.2
1993 actual	841.6
1994 actual	922.0
1995 estimated (CBO)	997.8
Fiscal year 1996:	
Administration's request (February 1995)	1,045.1
Committee level	1,057.6
Fiscal year 1997:	
Administration's request (February 1995)	1,083.6
Committee level	1,058.5
Fiscal year 1998:	
Administration's request (February 1995)	1,140.8
Committee level	1,099.6
Fiscal year 1999:	
Administration's request (February 1995)	1,195.8
Committee level	1,138.6
Fiscal year 2000:	
Administration's request (February 1995)	1,260.0
Committee level	1,189.4

TABLE 3.—REVENUES BY SOURCE UNDER PAST AND CURRENT LAW

[Includes on- and off-budget revenues, fiscal years, billions of dollars]

	Historical					Projected 1996
	1950	1960	1970	1980	1990	
Individual income tax	15.8	40.7	90.4	244.1	466.9	627.9
Corporate income tax	10.4	21.5	32.8	64.6	93.5	151.1
Social insurance tax and contributions	4.3	14.7	44.4	157.8	380	516.8
Excises	7.6	11.7	15.7	24.3	35.3	55.7
Estate and gift taxes	0.7	1.6	3.6	6.4	11.5	16.8
Customs duties	0.4	1.1	2.4	7.2	16.7	21.4

TABLE 3.—REVENUES BY SOURCE UNDER PAST AND CURRENT LAW—Continued

[Includes on- and off-budget revenues, fiscal years, billions of dollars]

	Historical					Projected 1996
	1950	1960	1970	1980	1990	
Miscellaneous receipts	0.2	1.2	3.4	12.7	27.3	27.9
Total [1]	39.4	92.5	192.8	517.1	1,031.3	1,417.7
On-budget revenues	37.3	81.9	159.3	403.9	749.7	1043.0
Off-budget revenues [2]	2.1	10.6	33.5	113.2	281.7	374.7

[1] Details may not add to totals due to rounding.
[2] Social Security (OASDI) revenues.
Source: CBO baseline revenues.

TABLE 4.—REVENUES SOURCE AS A PERCENT OF GDP UNDER PAST AND CURRENT LAW

[Includes on- and off-budget revenues, fiscal years]

	Historical					Projected 1996
	1950	1960	1970	1980	1990	
Individual income tax	5.9	8.0	9.2	9.2	8.6	8.5
Corporate income tax	3.9	4.2	3.3	2.4	1.7	2.1
Social insurance tax and contributions	1.6	2.9	4.5	6.0	7.0	7.0
Excises	2.8	2.3	1.6	0.9	0.6	0.8
Estate and gift taxes	0.3	0.3	0.4	0.2	0.2	0.2
Customs duties	0.1	0.2	0.3	0.5	0.5	0.4
Miscellaneous receipts	0.1	0.2	0.3	0.5	0.5	0.4
Total [1]	14.9	18.3	19.6	19.6	18.9	19.2
On-budget revenues	14.1	16.2	16.2	15.3	13.7	14.2
Off-budget revenues [2]	0.8	2.1	3.4	4.3	5.2	5.1

[1] Details may not add to totals due to rounding.
[2] Social Security (OASDI) revenues.
Source: CBO baseline revenues.

SPECIAL TAX PROVISIONS

The Congressional Budget Act of 1974 requires a listing of items called tax expenditures in the President's budget submission and in reports accompanying congressional budget resolutions. These items are defined in the act as "revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provides a special credit, a preferential rate of tax, or a deferral of tax liability." Under this definition, the concept of tax expenditures refers to revenue losses attributable exclusively to provisions in the corporation and individual income taxes.

This terminology should be changed because its line of reasoning is faulty. It assumes, first, that the government can "lose" money that did not belong to the government in the first place. The funds in fact belong to taxpayers; the government cannot lose what it never had. Second, in the transaction involved, no money really changes hands. Taxpayers simply keep more of their own funds.

Nearly all these tax provisions are intended either to encourage certain economic activities or to reduce income tax liabilities for taxpayers in special circumstances. The use of a tax provision, rather than a direct expenditure, often is more efficient. The use of a tax provision also keeps the behavior voluntary. Estimates of individual tax benefits are prepared by the Treasury Department and the Joint Committee on Taxation. The estimates normally presented here are those of the Joint Committee on Taxation and in this case are based on that committee's most recent report of November 9, 1994. The Joint Committee on Taxation has estimated the revenue "losses" rather than outlay equivalent amounts of tax expenditures.

Table 1 shows the revenues involved in targeted tax benefits for fiscal years 1995 through 1999. The economic assumptions upon which these calculations are based were the most recent Congressional Budget Office assumptions available to the Joint Committee in August 1994. Because of the interaction among the provisions, the revenue effect from two or more repeals would not necessarily equal the exact sum of the revenue losses for each item. Furthermore, because tax legislation seldom applies retroactively to taxpayer decisions made earlier, the added revenues available for the initial years from legislation to eliminate such a tax provision may be substantially less than shown in the following table.

TABLE 1.—SPECIAL TAX PROVISION ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1995–1999

[Billions of dollars]

Function	Corporations					Individuals					Total 1995–1999
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
National defense:											
Exclusion of benefits and allowances to Armed Forces personnel	....	....	....	....	....	2.1	2.1	2.1	2.2	2.3	10.8
Exclusion of military disability benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
International affairs:											
Exclusion of income earned abroad by U.S. citizens	....	....	....	....	....	1.6	1.6	1.7	1.8	1.9	8.6
Exclusion of certain allowances for Federal employees abroad	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	1.4	1.5	1.5	1.5	1.6	....	....	....	....	....	7.5
Deferral of income of controlled foreign corporations	1.1	1.1	1.1	1.2	1.2	....	....	....	....	....	5.7
Inventory property sales source rule exception	3.5	3.6	3.7	3.7	3.8	....	....	....	....	....	18.3
Interest allocation rules exception for certain nonfinancial institutions	0.2	0.2	0.2	0.2	0.2	....	....	....	....	....	1.0
General science, space, and technology:											
Expensing of research and development expenditures	1.0	0.5	0.2	0.1	0.1	(1)	(1)	(1)	(1)	(1)	2.1
Energy:											
Expensing of exploration and development costs:											
Oil and gas	0.5	0.5	0.5	0.5	0.5	(1)	(1)	(1)	(1)	(1)	2.5
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion:											
Oil and gas	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.0
Other fuels	0.2	0.2	0.2	0.2	0.2	(1)	(1)	0.1	0.1	0.1	1.4
Credit for enhanced oil recovery costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Nonconventional fuels production credit	0.8	0.9	0.9	0.9	0.9	0.3	0.3	0.3	0.3	0.3	5.8
Alcohol fuel credits [2]	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	0.2
Exclusion of interest on State and local government industrial development bonds for energy production facilities	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.9
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of energy conservation subsidies provided by public utilities	....	0.1	0.2	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.0
Credit for investments in solar and geothermal energy facilities	0.0	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.4
Credits for electricity production from wind and biomass	(1)	(1)	(1)	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Deductions and credits for clean-fuel vehicles and refueling property	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Natural resources and environment:											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.2	0.2	0.2	(1)	(1)	0.1	0.1	0.1	1.4
Investment credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of multiperiod timber-growing costs	0.4	0.4	0.5	0.5	0.5	(1)	(1)	(1)	0.1	0.1	2.6

TABLE 1.—SPECIAL TAX PROVISION ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1995–1999—Continued

[Billions of dollars]

Function	Corporations 1995	Corporations 1996	Corporations 1997	Corporations 1998	Corporations 1999	Individuals 1995	Individuals 1996	Individuals 1997	Individuals 1998	Individuals 1999	Total 1995–1999
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.2
Investment tax credit for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Agriculture:											
Expensing of soil and water conservation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of fertilizer and soil conditioner costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.3
Expensing of the costs of raising dairy and breeding cattle	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of cost-sharing payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.3
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.3
Commerce and housing:											
Financial institutions:											
Bad-debt reserves of financial institutions	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exemption of credit union income	0.7	0.7	0.7	0.8	0.8	....	....	....	....	....	3.7
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.8	0.9	1.0	1.1	1.2	10.3	11.5	12.4	13.3	14.3	66.8
Exclusion of investment income from structured settlement amounts	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	(1)
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Special treatment of life insurance company reserves	2.1	2.3	2.5	2.7	2.9	....	....	....	....	....	12.5
Deduction of unpaid property loss reserves for property and casualty insurance companies	1.6	1.8	1.9	2.1	2.3	....	....	....	....	....	9.7
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	(1)
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	(1)
Special deduction for Blue Cross and Blue Shield companies	0.3	0.3	0.1	0.1	0.1	....	....	....	....	....	0.9
Housing:											
Deductibility of mortgage interest on owner-occupied residences	....	....	....	....	....	53.5	56.8	60.2	63.9	67.8	302.1
Deductibility of property tax on owner-occupied homes	....	....	....	....	....	13.7	14.5	15.3	16.2	17.1	76.8
Deferral of capital gains on sales of principal residence	....	....	....	....	....	14.8	15.3	15.9	16.4	17.0	79.4
Exclusion of capital gains on sales of principal residences for persons age 55 and over ($125,000 exclusion)	....	....	....	....	....	4.9	5.1	5.3	5.5	5.7	26.5
Exclusion of interest on State and local government bonds for owner-occupied housing	0.5	0.5	0.5	0.4	0.4	1.4	1.4	1.4	1.3	1.3	9.0
Exclusion of interest on State and local government bonds for rental housing	0.2	0.2	0.2	0.2	0.2	0.7	0.7	0.7	0.6	0.6	4.3
Depreciation of rental housing in excess of alternative depreciation system	1.0	1.0	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5	7.3

Low-income housing tax credit	0.8	0.9	1.0	1.2	1.3	1.4	1.7	1.9	2.2	2.4	14.8
Other business and commerce:											
Maximum 28% tax rate on long-term capital gains	....	....	....	....	....	9.1	10.5	11.3	12.6	13.9	57.4
Depreciation of buildings other than rental housing in excess of alternative depreciation system	3.5	3.2	2.7	2.1	1.5	1.4	1.3	1.1	0.9	0.6	18.5
Depreciation of equipment in excess of alternative depreciation system	19.9	19.9	19.6	19.1	19.2	5.7	5.7	5.6	5.4	5.5	125.4
Expending of up to $17,500 of depreciable business property	0.9	0.7	0.5	0.3	0.1	0.6	0.4	0.3	0.1	(1)	4.0
Exclusion of capital gains at death	....	....	....	....	....	12.7	14.0	15.4	17.1	18.3	77.5
Carryover basis of capital gains on gifts	....	....	....	....	....	1.4	1.5	1.5	1.6	1.7	7.7
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Reduced rates for first $10,000,000 of corporate taxable income	3.9	4.1	4.3	4.5	4.7	....	....	....	....	....	21.7
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback book, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.4	0.4	0.4	0.5	0.5	0.3	0.3	0.3	0.4	0.4	3.9
Completed contract rules	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.0
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.5
Exclusion of interest on State and local government small-issue industrial development bonds	0.1	0.1	0.1	0.1	0.1	0.4	0.3	0.3	0.3	0.2	1.9
Deferral of gain on like-kind exchanges	0.4	0.5	0.5	0.5	0.6	0.2	0.3	0.3	0.3	0.4	4.1
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.4	0.4	0.5	0.5	0.5	....	....	....	....	....	2.2
Deferral of gains from sale of broadcasting facilities to minority-owned businesses	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Transportation:											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.4
Employer-paid transportation benefits	....	....	....	....	....	1.9	2.1	2.2	2.3	2.4	10.9
Exclusion of interest on State and local government bonds for high-speed rail	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Community and regional development:											
Investment credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilities	0.2	0.2	0.2	0.3	0.3	0.6	0.7	0.7	0.8	0.8	4.9
Regional economic development tax incentives: empowerment zones, enterprise communities, and Indian investment incentives	0.2	0.2	0.2	0.3	0.3	0.1	0.2	0.3	0.3	0.3	2.5
Education, training, employment, and social services:											
Education and training:											
Exclusion of scholarship and fellowship income	....	....	....	....	....	0.7	0.7	0.8	0.8	0.8	3.8
Parental personal exemption for students age 19 to 23	....	....	....	....	....	0.9	0.9	0.9	0.9	0.9	4.6
Exclusion of interest on State and local government student loan bonds	0.1	0.1	(1)	(1)	(1)	0.2	0.2	0.1	0.1	0.1	1.0
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.2	0.2	0.2	0.2	0.2	0.6	0.6	0.6	0.7	0.7	4.2
Deductibility of charitable contributions for educational institutions	0.5	0.5	0.5	0.5	0.5	2.0	2.1	2.2	2.3	2.4	13.2
Exclusion of interest on educational savings bonds	....	....	....	....	....	0.1	0.1	0.2	0.2	0.3	0.9

TABLE 1.—SPECIAL TAX PROVISION ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1995–1999—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1995–1999
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
Exclusion for employer-provided education assistance benefits	0.3	....	....	....	....	....	....	....	....	....	0.3
Employment:											
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	0.6	0.7	0.7	0.7	0.8	3.5
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.1	1.2	1.2	(1)	(1)	(1)	(1)	(1)	5.4
Exclusion of benefits provided under cafeteria plans [3]	....	....	....	....	....	3.8	4.4	5.0	5.7	6.5	25.4
Exclusion of rental allowances for minister's homes	....	....	....	....	....	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	4.9	5.2	5.5	5.8	6.2	27.5
Exclusion of employee awards	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of income earned by voluntary employees' beneficiary associations	....	....	....	....	....	0.5	0.5	0.5	0.6	0.6	2.7
Targeted jobs tax credit	0.2	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Social services:											
Deductibility of charitable contributions, other than for education and health	0.4	0.4	0.4	0.4	0.4	13.9	14.7	15.4	16.1	16.9	79.0
Credit for child and dependent care expenses	....	....	....	....	....	2.7	2.8	2.8	2.9	3.0	14.2
Exclusion for employer-provided child care [4]	....	....	....	....	....	0.6	0.7	0.8	0.9	1.0	4.0
Exclusion for certain foster care payments	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of costs for removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Credit for disabled access expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health:											
Exclusion of employer contributions for medical insurance premiums and medical care [5]	....	....	....	....	....	45.8	49.9	53.8	57.9	62.3	269.7
Exclusion of medical care and CHAMPUS health insurance for military dependents	....	....	....	....	....	0.4	0.5	0.5	0.5	0.5	2.4
Deductibility of medical expenses	....	....	....	....	....	4.1	4.5	5.0	5.5	6.0	25.0
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities	0.4	0.4	0.5	0.5	0.5	1.2	1.3	1.4	1.4	1.5	9.2
Deductibility of charitable contributions to health organizations	0.3	0.3	0.3	0.4	0.4	1.4	1.5	1.6	1.6	1.7	9.6
Medicare:											
Exclusion of untaxed medicare benefits:											
Hospital insurance	....	....	....	....	....	8.0	9.2	10.8	12.6	14.8	55.3
Supplementary medical insurance	....	....	....	....	....	5.1	6.1	7.3	8.7	10.4	37.6
Income security:											
Exclusion of workers' compensation benefits	....	....	....	....	....	3.9	4.0	4.2	4.4	4.6	21.0
Exclusion of special benefits for disabled coal miners	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of cash public assistance benefits	....	....	....	....	....	0.5	0.5	0.6	0.6	0.7	2.8
Net exclusion of pension contributions and earnings:											
Employer plans	....	....	....	....	....	69.4	73.5	78.0	82.8	87.9	391.6
Individual retirement plans	....	....	....	....	....	8.4	8.7	9.2	9.7	10.2	46.2

Keogh plans	....	....	....	....	....	3.1	3.3	3.5	3.7	3.9	17.8
Exclusion of other employee benefits:											
Premiums on group term life insurance	....	....	....	....	....	2.0	2.0	2.1	2.2	2.2	10.5
Premiums on accident and disability insurance	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of employer-provided death benefits	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.2
Additional standard deduction for the blind and the elderly	....	....	....	....	....	1.9	2.0	2.1	2.2	2.4	10.6
Tax credit for the elderly and disabled	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Deductibility of casualty and theft losses	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Earned income tax credit (EITC) [6]	....	....	....	....	....	3.5	3.9	4.2	4.4	4.6	20.5
Social Security and railroad retirement:											
Exclusion of untaxed Social Security and railroad retirement benefits	....	....	....	....	....	23.1	24.1	25.1	26.1	27.1	125.5
Veterans' benefits and services:											
Exclusion of veterans' disability compensation	....	....	....	....	....	1.6	1.6	1.7	1.7	1.8	8.4
Exclusion of veterans' pensions	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of GI bill benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of interest on State and local government bonds for veterans' housing	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.4
General purpose fiscal assistance:											
Exclusion of interest on public purpose State and local government debt	3.2	3.3	3.5	3.7	3.8	9.5	10.0	10.5	11.0	11.5	70.1
Deduction of nonbusiness State and local government income and personal property taxes	....	....	....	....	....	24.7	26.2	27.7	29.3	31.0	139.0
Tax credit for section 936 income	3.7	3.8	4.0	4.1	4.2	....	....	....	....	....	19.7
Interest:											
Deferral of interest on savings bonds	....	....	....	....	....	1.3	1.4	1.5	1.6	1.7	7.3

[1] Positive tax expenditure of less than $50 million.
[2] In addition, the 5.4-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.6 billion per year in fiscal year 1995, and $0.7 billion per year in fiscal years 1996 through 1999.
[3] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased dependent care flexible spending accounts. These amounts are also included in other line items in this table.
[4] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.
[5] Estimate includes employer-provided health insurance purchased through cafeteria plans.
[6] The figures in the table show the effect of the EITC on receipts. The increase in outlays is: $18.6 billion in 1995, $20.6 billion in 1996, $21.6 billion in 1997, $22.2 billion in 1998, and $22.9 billion in 1999.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

ADDITIONAL REPORT LANGUAGE

Regulatory Budgeting

The fiscal budget reflects only one part of the Federal Government's impact on the Nation and the economy. The government also exercises influence through its power to issue regulations on private businesses and families and promulgate mandates on State and local governments. The costs of these regulations and mandates should be reflected in the Federal budget, reduced as a percentage of Gross Domestic Product [GDP], and voted on each year by Congress.

Federal regulations and mandates represent indirect government spending. They divert moneys away from private families, businesses, neighborhoods, and communities, and toward governmentally mandated objectives. Regulations and mandates transfer power and decisionmaking from families, neighborhoods, local communities, and States to Washington, DC. In short, regulations and mandates represent hidden taxing and spending.

Federal regulations have skyrocketed over the past 25 years, exploding at the same unsustainable rate as government spending. An estimated 10 to 20 percent of national output is consumed and controlled by government regulation. Conservative estimates of annual regulatory costs exceed $600 billion, or about $6,600 to $8,800 per family. When the costs of regulations and mandates are added to the costs of taxes, the average American must work until July 13 each year to pay the costs of government.

Other indicators of regulatory costs confirm the explosion in Federal regulations. The Federal Register, the annual compilation of new regulations, climbed from 12,000 pages in 1950 to 70,000 pages in 1993 and may reach 90,000 in 1995. The number of Federal regulators—government officials paid to enforce regulations—increased from 70,000 in 1970 to 130,000 in 1995. The budgets of Federal regulatory agencies has ballooned by nearly 200 percent over this same period.

Just as Federal spending raises taxes and deficits, which slow economic growth and limit opportunity, government regulations and mandates lower living standards. Regulations harm consumers, adding an estimated 33 percent to the cost of building an airplane engine, 95 percent to the cost of a new vaccine, and $3,000 to the cost of a new car. Regulations impede job creation. Private-sector job growth has been inversely proportional to the proliferation of Federal regulators. Job creation grew during the 1980's, when the number of regulators and regulations were reduced, and it shrank during the regulatory explosions of the 1970's, the late 1980's, and the Clinton years.

If the budget is to reflect an accurate and complete blueprint of the costs and expenses of the Federal Government, it must also include the costs imposed by government regulations and mandates. A full and complete accounting of the government's size and scope requires a statement of the costs of government regulations and mandates. The costs of regulations and mandates should be determined as part of—and should be reflected in—the Federal budget process.

One method of reflecting the costs of regulation within the budget process would be a Federal regulatory budget proposal. One such proposal was introduced in the 103d Congress by Budget Committee members Lamar S. Smith, John R. Kasich, Bob Franks, and Christopher Cox. This proposal would allocate to Congressional authorizing committees fixed amounts of "regulatory authority." The allocations would be capped so that the total regulatory costs on the economy would be reduced from their current level of 9 percent of Gross Domestic Product to 5 percent of GDP over 7 years. Such discipline could reduce the regulatory burden on the economy, while simultaneously permitting important health, safety, and environmental objectives to be met.

A regulatory budget also would make government regulations and mandates accountable to the American people through the democratic process. Just as the President is required to submit, and the Congress is required to vote on, the level of taxes and Federal spending, Congress should vote on the level of regulations and mandates, which have the same effect as taxes and spending. The American people should be told—and their elected officials should be held accountable for—the level of hidden taxing and spending which regulations represent.

The Budget Committee will work over the coming months to develop and refine these proposals so as to improve the budget process, reduce the burden of government regulation on American families and businesses, restore democratic accountability, and increase opportunity for all Americans.

Suggested List of Federal Regulations and Federal Mandates That Warrant Elimination or Reform

The following list of Federal regulations, quasi-regulations, and Federal statutory mandates are among the most expensive and onerous and appear ripe for termination or reform. Some of these reforms may lead to Federal budget savings. More important, however, they are likely to encourage economic growth, which in turn would help reduce the Federal deficit. The Budget Committee encourages House authorizing and appropriating committees to consider this list as the 104th Congress works to reform Washington's regulatory practices.

TRANSPORTATION

Problem Drivers Pointer System [PDPS] Mandate. This system creates a national registry for records on all problem drivers. States must check this system before issuing licenses. Under a threat of losing 10 percent of their Federal highway funds, States are required to complete a link to the System by April 30, 1995. The Federal Government does cover implementation costs. But the System may be unnecessary as long as States require drivers to be insured, which clearly would require insurers to do background checks. If a national system is warranted, it could be handled by a private-sector agency.

Unfunded Compliance with the Anti-Theft Act of 1992. This act establishes a set of uniform titles, uniform salvage titles, and a national data base for title information. States are required to comply by January 1, 1996. Some Federal money is supposed to be available, but the amounts are not certain. Compliance should be waived until Federal funds are available to cover compliance entirely.

Metric Conversion Mandate. The Omnibus Trade and Competitiveness Act of 1988 required conversion to the metric system. The Federal Highway Administration requires that all construction plans be designated in metric. After September 30, 1996, no plans that are not in metric are to be let if the Federal Government is helping finance the project.

The Crumb Rubber Mandate, Section 1038(b) [ISTEA]. The Intermodel Surface Transportation Efficiency Act of 1991 [ISTEA] included a government-imposed mandate on States by requiring crumb rubber from scrap tires be used in an annual fixed percentage of asphalt. This unprecedented mandate is opposed by State transportation departments, county officials, and the highway construction industry due to its added cost, mixed performance, and unanswered questions regarding the environmental and health consequences and recyclability. By 1997, the additional costs due to the crumb rubber mandate could be as high as $1 billion according to the U.S. Department of Transportation. Section 1038(b) should be repealed and highway engineers, and the marketplace, determine highway pavement design and materials.

National Maximum Speed Limit Mandate. Title 23 U.S. Code, section 154 prohibits States from establishing a speed limit beyond 55 miles per hour on specified highways, even though higher speed limits may be appropriate and safe. Some routes that fit certain population and other criteria can post maximum limits of 65 miles per hour. States with a maximum limit that is higher than allowed, or that do not certify, are subject to termination of Federal highway funding. Because of the lower speed limits, States must divert significant resources that could otherwise be used for crime prevention and law enforcement, additional motorist services, DUI enforcement, and a variety of other public services.

The International Fuel Tax Agreement Mandate. States are required to become members of the International Fuel Tax Agreement by no later than October 1996. Failure to comply could cost them some of their Federal highway funds. States should not be required, at their own cost, to participate in such international agreements.

Federal Outdoor Advertising Mandate. ISTEA prohibits erection of new signs on designated scenic highways. If States fail to prohibit such signs, 10 percent of major highway apportionments would be withheld.

Highway Program Administrative Costs Mandate. Title 23 of the U.S. Code requires State transportation departments to maintain administrative staff beyond the minimum level necessary to deliver highway projects.

Motorcycle Helmets Mandate. States that did not have mandatory front seat belt and motorcycle helmet laws in place by October 1, 1993, were notified by the Federal Highway Administration that

1.5 percent of their highway construction funds would be transferred to their highway safety program. Transfers will continue until complying legislation is passed or the Federal law is changed.

Recreational Trails Mandate. States are required to develop, establish, and implement a program for funding recreational trails.

Minimum Reflectivity for Traffic Signs and Pavement Markings Mandate. The FHWA is currently developing minimum standards for the retroreflectivity of pavement markings—striping—and signs, which all States will need to follow after October 1, 1995. The implementation schedule has not yet been decided, but it is already clear that the cost impact of the new requirements will be substantial.

ENVIRONMENT

Reform Clean Air Act Mandates.

—Eliminate the requirement for centralized motor vehicle inspection and maintenance emissions testing and Federal oversight and monitoring of inspection and maintenance testing.

—Repeal the Employee Commute Option Program which requires private companies to undertake aggressive, affirmative efforts to encourage carpooling.

—Eliminate Corporate Average Fuel Efficiency [CAFE] mandated standards, which encourage automobile manufacturers to produce smaller, less safe, vehicles.

—Stop Development of the Enhanced Monitoring Rule. EPA is currently developing regulations to establish uniform pollution monitoring, recordkeeping, and reporting requirements for "major sources" of air pollution. Existing regulations have been more than effective in controlling air pollution. EPA's own studies have documented the likely massive costs of this new regulation.

Endangered Species Act Mandates.

—No new listings of endangered or threatened species or designation of critical habitat until the end of this Congress or reauthorization of the law. The law's authorization has expired, and its implementation is now heavily regulatory, imposing burdens on landowners and creating disincentives for private stewardship. A "time out" is needed until Congress has the opportunity to balance the rights of landowners with the need to protect species. There are currently 4,000 plant and animal species that are candidates for listing on the endangered species list, including: ragweed; Eastern wood rat; Lake Huron locust; and the pea clam.

—Once reauthorized, limit coverage of the act to include only actual harm to an endangered or threatened species, rather than indirect modification of species habitat, unless a specific designation of critical habitat is made prior to the action.

Wetlands Mandates.

—Eliminate funding for enforcement of Section 404 of the Clean Water Act, the Wetlands Program. It is the requirement that developers of coastal wetlands obtain a Federal permit to dredge, fill, or in any other way use the wetlands.

—Repeal similar requirement, in Title XII of the Food Security Act of 1985, applying to agricultural wetlands.

California Clean Air Federal Implementation Plan [FIP]. The EPA is required to put three areas in California—Los Angeles, Sacramento, and Ventura—in compliance with the air quality requirements in the 1977 Clean Air Act. The 1,700-page draft plan would impose draconian limits on emissions, ranging from factories to automobiles and trucks and even to lawnmowers. The EPA estimates that the FIP could cost Californians between $4 billion and $6 billion annually. According to the State of California, when the FIP is fully implemented in 2010 the "losses will total at least $8.4 billion in direct costs, $17.2 billion in output, and 165,000 jobs." This estimate does not include the impact on transportation firms in the rest of the State that are affected by the rule.

Reform Waste Disposal Rules to Allow for Environmentally Sound Practices. Current regulations on the transportation, storage, and disposal of hazardous wastes define these substances too broadly and discourage environmentally beneficial recycling.

Industrial Energy Efficiency Training Mandate. The 1992 Energy Policy Act [EPACT] directs States to establish programs and training for universities, nonprofit organizations, State and local governments, technical centers, utilities, and trade organizations on industrial energy efficiency programs and technologies.

Radon Action Program. The Radon Action Program currently consumes over $5 million per year in taxpayer funds, and the Federal Government administers radon State grants of an additional $8 million. This funding should be zeroed out and the offices closed. For nearly 8 years the EPA has been running a scare campaign on the American public at taxpayers' expense. The radon campaign has encouraged homeowners to spend hundreds and sometimes thousands of dollars to remediate for an infinitesimal, if not nonexistent, risk.

The Great Lakes Clean Water Quality Guidance. The EPA's Great Lakes Initiative would impose uniform standards for water quality on eight different States in the Midwest—Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin. The EPA first proposed the initiative on April 16, 1993, and is required by court order to issue the rules on March 13, 1995. The EPA estimates that the proposal could cost from $80 million to $500 million annually. But in a study conducted for the Council of Great Lakes Governors, DRI–McGraw Hill estimated that it would cost over $2 billion per year and up to 33,000 jobs lost. According to the Great Lakes Water Quality Coalition, which consists of local governments, businesses, and agricultural interests in the region, the initiative will not "significantly improve" water quality and "does not address the predominant sources of chemical pollutants into the Great Lakes Basin—air deposition and stormwater runoff."

Clean Air Permitting Rule. The EPA is considering finalizing a costly permitting rule that goes far beyond the congressional purpose behind Title V of the 1990 Clean Air Act Amendments. The rule will provide few, if any, environmental benefits, but would stifle industrial innovations, impede economic growth, and empower Federal bureaucrats to micromanage industrial production.

Atrazine Pesticide Product Approval. The EPA is rumored to have thrown sound science out the window in its approval of Atrazine—a pesticide that has been on the market for 30 years. The EPA's Science Review Board is reported to have recommended no changes to the labeling of Atrazine. Despite this science-based recommendation, Administrator Carol Browner is believed to have ordered her EPA to conduct a special review. The EPA should be required to justify its actions based on sound science, risk assessment, and cost/benefit analysis.

Indoor Air Quality Regulations. The Occupational Safety and Health Administration is preparing to issue new regulations to require restaurants, retailers, office building owners, and other business people to implement comprehensive indoor air quality programs and ventilation plans. OSHA estimates that the rule would cost $8.1 billion annually.

OSHA Fall Protection Regulations. These regulations went into effect on February 6, 1995, and impose burdensome workplace regulations whenever employees are working 6 feet above the ground. Houses are already expensive enough. One roofing company estimates these new regulations will drive the cost of every new roof up by $500.

EPA Pulp and Paper Cluster Rules. The EPA has proposed what it terms "cluster rules" for the paper industry. Basically, these rules combine requirements under the Clean Air and Clean Water Acts. While the EPA claims the new rules would simplify existing regulations, many businesses say they actually complicate them. According to the paper industry, the rules would cost $11 billion in capital expenditures. According to the Richmond Times Dispatch, the EPA admits "the new rules would force 33 mills to close; 21,000 people would lose their jobs."

EPA's Enhanced Monitoring Rule. The EPA has proposed regulations to establish pollution monitoring, recordkeeping and reporting requirements for "major sources" of air pollution. An EPA funded study reported that the average oil refinery's cost of complying with this rule will be $4 million in initial costs and $2.4 million in annual operating costs.

Chemical Use Inventory Rule. The EPA is working on regulations to expand reporting requirements on chemicals used in the manufacturing process. These regulations would likely drive more companies overseas and increase the cost of many goods used by all Americans. In addition, the EPA has proposed making the information reported to it available to trial lawyers who will use the information to sue companies for phantom risks.

California Car Rule. The California car rule for the Northeast, issued by the EPA just before Christmas, prevents cost-effective marketplace trading of emission reduction responsibilities among car companies and utilities. The estimated cost to the Northeast is

$4.7 billion per year by 2007. This rule will increase the price of cars by $1,500.

EPA Section 112g Rules. EPA issued proposed rules requiring "major source" facilities to obtain pre-approval from EPA for changes in their manufacturing processes. The EPA should be prohibited from expending funds to finalize these rules.

OCCUPATIONAL HEALTH AND SAFETY

OSHA Ergonomics Rule. OSHA is currently working on a rule that would require employers to take a number of actions to address repetitive motion injuries. These are injuries due to repeated hand, wrist, or other physical motions that cause or aggravate musculoskeletal disorders. Employers would be required to have written plans to prevent these injuries and to redesign work areas, to slow assembly lines and potentially to pay for medical bills. Private industry estimates that a similar rule proposed by California OSHA would cost $3.1 billion annually in that State alone. Other sources estimate the Federal rule would cost $21 billion to implement.

The Teenage Cardboard Baler Rule. As currently implemented, this regulation prevents teenagers from certain kinds of safe and gainful employment. The 40-year old regulation prohibits teenagers from loading paper balers or compactors even when the machines are turned off, despite the fact that new technology and advanced features make the machines very safe. Hazardous Occupation Order No. 12 [HO12] should be modified to allow 16- and 17-year olds to load balers that meet current American National Safety Institute [ANSI] worker safety standards.

Comprehensive Occupational Safety and Health Programs. OSHA is preparing a notice of proposed rulemaking that would require employers to develop and implement an occupational safety and health program in their workplace. It is expected this rule will cover employers with over 10 employees and may cover all employers. According to OSHA, "costs are likely to exceed $1 billion annually." Private cost estimates are much higher. The Employment Policy Foundation estimates that similar programs, which were required in the Kennedy-Ford OSHA bill in the 103d Congress, would cost $6.3 billion annually.

OTHER

Eliminate the Boren Amendment Regulating Medicaid Payment Levels. The Boren amendment provides that Medicaid payment rates for hospitals and nursing facilities must be "reasonable and adequate" to meet the costs of "efficiently and economically operated" facilities in providing care that meets Federal and State quality and safety standards. Although the goal is laudable, it is disruptive to State's management of Medicaid for two reasons. First, the language is ambiguous and therefore has been the subject of numerous costly lawsuits against States by providers seeking higher payment levels. Second, the requirements of Boren do not make the payment levels dependent on the ability of the State to pay providers at this level. For example, it does not take into account the number of Medicaid recipients or the fiscal capacity of the State. The State is better able to determine the health care circumstances and needs prevailing in the State and the payment levels that would provide appropriate care.

Motor-Voter Act Mandate. This unfunded mandate on States increases the likelihood of electoral fraud and is unnecessary for effective civic participation. Many States have complained about this program and its costs. It is a well-known mandate that could be eliminated.

Crime Victims Compensation. Under the Crime Victims Compensation Program, States are required to prioritize the order in which crime victims are compensated. States should be left to run these programs as they see fit.

Public Utility Regulatory Policies Act [PURPA]. This act mandates that public utilities invest in renewable electricity generation sources, such as wind power. This mandate, enacted during the government-created energy scare of the late 1970's, is based on the notion that insufficient energy resources caused the energy shortage. Today it forces companies into inefficient and politically correct resources.

The Public Utility Holding Company Act [PUHCA]. This is a New Deal-era regulation that regulates who can own electric and gas utilities. It was intended to fight abuses in the electric and gas industry, but now restricts competition.

The Community Reinvestment Act. This act requires depository institutions to reinvest depositors' funds back into the communities they came from. This diverts resources from their most efficient allocation. It also represents Federal micromanagement in private lending.

Rescind Synar Amendments—Enforcement of Laws Regarding Cigarette Sales to Minors. Draft Federal regulations would require States to reach a level of 50-percent compliance with prohibitions against the sale of cigarettes to minors. The mandated level of compliance rises each year, as does the percentage loss of Federal money for drug and alcohol treatment if States fail to comply. States are capable of enforcing such cigarette prohibitions themselves.

Job Service Requirement. Under the Job Training Partnership Act, States must provide job placement services for men, women, and youths, with special priority for veterans. The Job Service also must maintain a national network to clear employer job openings statewide and between States using a computerized job bank. This appears to duplicate Federal and State job-training efforts.

Student Right-to-Know and Campus Security Act. Campuses are required to collect and report graduation rates for athletes and nonathletes and maintain and report campus crime statistics. The crime statistics should be maintained, but graduation levels should be required by other means, such as the NCAA.

FEMA Grants. FEMA makes grants to States to encourage uniform reporting of fire incidence and suspected arson cases. This is an unnecessary level of Federal involvement in local activities.

Federal Requirement for Archeological and Historic Impact Statements. The Federal Government requires historic and archeological impact statements for certain construction projects under the National Historic Preservation Act. State historical societies contract out for the service. But most States and municipalities now have sufficient infrastructure to make historic and archeological evaluations on their own, without a Federal requirement. Therefore, this mandate can be waived.

Real Estate Settlement Procedures Act. The Department of Housing and Urban Development [HUD] plans to issue a final rule that would significantly reverse a 1992 rulemaking that streamlines settlement services and provides substantial benefits to consumers. By providing a variety of services and products at the point of sale, consumers can save up to $150 per transaction, or almost $150 million annually for all homebuyers. A final regulation that restricts the services that can be offered by real estate settlement providers increases both the time and money required to purchase a house.

USDA Proposed Mega-Rule on Meat and Poultry Inspection. The Department of Agriculture plans to issue a "mega-rule" in early 1995 that would require substantial, new inspection requirements for meat and poultry. Rather than revise the existing regulatory structure, this rule will simply be layered on top of the existing system. As a result, serious concerns about health and safety are not being addressed and resources that could otherwise be used promoting safety will be wasted. Without a thorough reform of the entire process, the costs of the regulatory structure may exceed the benefits of the regulation.

FIFRA Worker Protection Standard. EPA issued 66 pages of a revised worker protection standard under the Federal Insecticide, Fungicide and Rodenticide Act [FIFRA] in 1992 and EPA Administrator Carol Browner signed an order implementing enforcement of the rule on January 3, 1995. The rule imposes significant burdens on farmers in areas of safety, training, decontamination, information posting, emergency assistance, and worker reentry into fields after pesticides are applied. In a sign that even the EPA is uncomfortable with the standards, recently it amended the standards in four areas. Unfortunately, many additional problems remain. In the past both the USDA and the National Association of State Departments of Agriculture—a bipartisan organization of all 50 States—have expressed serious concerns about these standards. NASDA has said, "As proposed, the regulation cannot feasibly be implemented by farmers and cannot effectively be regulated by State regulators—not to mention it represents a huge unfunded mandate." The U.S. Department of Agriculture commented in a December 1994 letter that the changes made to the worker protection standard in the draft proposed rule would impose a "significant and substantial" burden on employers and workers, "considerably in excess of that estimated by EPA in the draft proposed rule and its

Regulatory Impact Assessment.'' In light of the number of problems that remain with the standard, EPA should suspend enforcement.

Sunglasses Labeling. The FDA is working on a proposal, still in the pre-rule stage, which would require labeling of sunglasses to ensure that consumers are aware that overexposure to ultraviolet radiation could hurt their eyes.

FDA Reference List. Since April 1992, the Food and Drug Administration has been executing what the agency calls the Medical Device Reference List (reference list). The reference list is a set of programs that the FDA's Center for Devices and Radiological Health uses to link current good manufacturing practices [GMP] inspections to the agency's normal scientific review of pre-market notification (510(k)) submissions. From April 1992 until the publication of a Public Notice in the Federal Register in October 1993, the existence of a reference list program was kept secret from the medical device community and the American public. A medical manufacturer may be placed on the reference list by being in violation of one or more of FDA's GMP regulations. Whether or not a medical manufacturer is placed on the reference list because of an alleged violation is completely at the discretion of the agency. No company is sure when, or if they have been placed on the list because it is an FDA internal document. In other words, no notification letter is sent to a company informing them that they are on what has been described as an agency ''black list.'' When a company is placed on the reference list, the agency immediately halts their work on any pending 510(k) application submissions.

Redundant FDA Controls on Advertising of Prescription Drugs. Currently, both the FTC and the FDA regulate ''direct to consumer'' advertising of prescription drugs. The FDA's regulations originated out of its authority over advertisements in medical journals, whereas the FTC has a long history of directly regulating consumer advertising. The FTC has full authority to protect consumers from false and misleading advertising in this area and has much more experience and expertise in consumer advertising. By attempting to protect the consumer from false and misleading advertising, the FDA has slowed the dissemination of truthful and important medical information to the public, and is wasting resources that could be spent on other areas of concern. Congress has been informed that one of the bizarre results of this dual control over advertising is an FDA ban on the Rogaine TV advertisements before midnight.

Overbroad FTC Proposed Telemarketing Sales Rule. The FTC issued a proposed rule on February 9, 1995, that will be made final before August 16, 1995. Acting under the direction of the last Congress, the FTC has an overly broad proposal that lumps legitimate businesses that conduct business over the telephone with fraudulent telemarketers. In doing so, it unnecessarily burdens many industries. This rule is so broadly written that long-recognized, legitimate activities are captured that have never before been considered to be telemarketing. For example, newspaper delivery carriers could be barred from making route collections under the rule's restriction on couriers. Moreover, proposed restrictions on contacting existing customers would, in many cases, require a newspaper subscription to lapse before the customer could be called about renewal. The rule would even apply to charitable and nonprofit organizations if they couple requests for donations with an offer of a prize, or a chance to win a prize or the opportunity to purchase any goods or services.

Disinfectant Byproduct Rulemaking. The EPA currently is proposing to regulate disinfection byproducts in drinking water. The proposed rule regulates substances that are formed when chlorine is added to the water supply in order to disinfect drinking water. The EPA cites several studies as justification for establishing the maximum contaminant level, yet the most reliable studies do not support the EPA's regulation. A National Cancer Institute study concluded that overall there was no association of duration of exposure to chlorinated water with bladder cancer risk. The EPA itself cites several other studies which showed no correlation between cancer risk and disinfection byproducts. The EPA has estimated the first-phase cost of this regulation at more than $1 billion per year. The extended second phase would cost an additional $2.6 billion per year. The costs will be borne by the municipalities and communities that operate water treatment facilities as well as the States charged with overseeing their operations. For water systems serving fewer than 10,000 people—which represent 94 percent of all water systems—the cost per household of complying with Federal drinking water mandates would more than double, while providing no measurable public health benefits.

FDA Draft Policy Statement on Industry-Supported Scientific and Educational Activities. This policy statement stops the exchange of valuable information on medical devices between inventors and surgeons, and leads to unnecessary patient deaths and injuries. The FDA should be prohibited from enforcing this policy statement.

FDA Humanitarian Device Exemption Regulations. In November 1990, through the Safe Medical Devices Act of 1990, Congress ordered the FDA to promulgate streamlining regulations that simplify the approval process for humanitarian devices—which benefit a small segment of the population—less than 4,000 patients. The FDA was ordered to publish final regulations by November 1991, but has failed to act for over 3 years. The FDA issued proposed rules in December 1992, that generated a large number of negative comments from the public. The FDA should be prohibited from expending any funds on enforcement actions against humanitarian devices until it has promulgated final regulations that are reconciled with the public comments.

Unauthorized Rescissions by FDA of 510k Approvals. The FDA has recently started rescinding approvals of 510k applications on grounds it simply made a "mistake." These rescissions are without statutory authority. Absent a finding of fraud in the application, the FDA should be prohibited from expending funds to rescind prior approvals.

Untimely FDA Action on IDE Notices. Medical device manufacturers are required to notify the FDA that they are conducting clinical trials on investigational devices. By regulation, the FDA has 30 days from the date of submission to object. If it fails to object, the manufacturer is free to start the trials. Although manufacturers are not required to obtain FDA approval, they routinely wait for approval which can take far longer than 30 days. The FDA should be barred from objecting to an IDE clinical trial after the 30-day waiting period has expired.

FDA Informal Rulemaking. The FDA currently makes policy through a variety of improper means, including the issuance of "Points to Consider," "Draft Guidances," and "Warning Letters." These writings—as well as speeches—are extremely difficult to track, yet often contain substantive rules. FDA should be prohibited from announcing substantive rules through means other than Federal Register notice and the solicitation of comments.

FDA Restrictions on Manufacturing Changes to Class III PMA Devices. FDA should be prohibited from expending funds to enforce restrictions on manufacturing changes that could not significantly affect the safety or effectiveness of a medical device.

Clarification of Rules Governing Athletic Opportunities. Regulations implementing Title IX of the Education Amendments of 1972 currently allow for the elimination of athletic opportunity, primarily as a result of heavy reliance on the proportionality rule. This rule is supposed to be one option under a three-pronged test of accommodation of interests and abilities, but has been given undue deference. Proportionality has caused many colleges and universities to respond with the elimination of entire athletic teams. As this was not the original intent of Congress, Congress should move to clarify title IX with respect to athletic opportunities.

BUDGET PROCESS LANGUAGE

Debt Limit. The public debt limit was last increased to $4.9 trillion as part of OBRA 1993. According to recent estimates, the debt limit will be breached sometime in October 1996. A bill must be enacted into law before that date to raise the debt limit.

The reconciliation instructions do not include, as permitted under Section 310 of the Budget Act, directives to the Committee on Ways and Means to report a bill raising the debt limits. In the absence of such a bill, the Committee on Ways and Means could report out a free standing bill or, under House rule 49, the vote on the conference report would automatically trigger the engrossment of a bill rasing the debt limit.

The budget resolution includes several sections relating the debt limit. Section 10 includes Sense of Congress language that the ultimate goal of a balanced budget is to pay off the public debt. Section 11 provides Sense of Congress language calling for the repeal of rule XIX of the Rules of the House of Representatives.

Asset Sales. In a significant departure from the existing treatment of assets sales, the budget resolution includes language to facilitate the sale of government assets to the private sector. Previous budget resolutions included language expressly prohibiting Congress from counting asset sales when enforcing points of order under the Budget Act. Similarly, Section 257 provides that such proceeds cannot be counted under the PAYGO requirements for tax and entitlement legislation.

Under Section 5, authorizing committees will be credited with the net benefit from asset sales—taking into consideration both the one-time proceeds from selling a government asset and the long-term revenue that the asset would have generated had it remained a possession of the Federal Government. Estimates will capture on a credit basis both the long-term costs and benefits arising from the sale of a government asset.

Section 5 specifies that the proceeds from assets sales will counted for purposes of determining compliance with the reconciliation instructions enforcing points of order under the Congressional Budget Act. The proceeds and costs arising from asset sales will be reflected in committee allocations, reconciliation instructions and in estimates used to determine whether legislation complies with the budget resolution.

Student Loans. Section 9 provides Sense of Congress language that the Federal Credit Reform Act understates the true costs of direct student loans because administrative costs are not included in the net present value calculation of Federal direct loan subsidy costs.

Since the Credit Reform Act of 1990, direct student loans and guaranteed student loans have been scored on a net present value rather than cash basis. However, the administrative costs for direct loans are not included in the net present value calculation. Consequently, Congressional Budget Office estimates understate the true costs of direct loans as compared to guaranteed student loans in which the administrative costs are calculated as part of the subsidy costs. As a result, there is a strong incentive to substitute direct loans for guaranteed loans through the costs of the latter is understated.

Baselines. Section 7 provides Sense of Congress language finding that baseline are inherently biased against provisions that would reduce projected growth in spending. The language further finds that baseline budgeting encourages Congress to yield control over the funding of Federal programs.

Emergencies. Section 8 provides Sense of Congress language relating to emergencies. Under current law, funding emergencies are exempt from both the discretionary spending limits and the PAY-AS-YOU-GO requirements. Congress and the President need only designate an emergency to invoke the exemption.

The language provides that emergency exemption has led to two abuses: piggy-backing funding requirements that would not pass on their own merits on to dire emergency relief bills; and designating as emergencies funding requests that are not genuine emergencies for the sole purpose of circumventing the discretionary spending limits and PAYGO.

IRS. Section 6 restates language in the budget resolution for fiscal year 1995 which provided additional funds for activities of the Internal Revenue Service. The language provides that the discretionary spending limits may be adjusted to accommodate appropriations of up to $404 million in budget authority and outlays for taxpayer compliance activities. On the assumption that such activities will increase tax collections, the chairmen of the budget committees must certify that such appropriations will not affect the deficit.

COMMITTEE VOTES

Clause 2(1)(2)(B) of House Rule XI requires each committee report to accompany any bill or resolution of a public character, ordered to include the total number of votes coast for and against on each rollcall vote on a motion to report and any amendment offered to the measure or matter, together with the names of those voting for and against. Listed below are the rollcall votes taken in the Budget resolution on the concurrent resolution on the budget for fiscal year 1996.

On May 10, 1995, the Committee met in open session, a quorum being present. The Committee adopted and ordered reported the Concurrent Resolution on the Budget for Fiscal Year 1996.

The following votes were taken by the Committee:

1. Mr. Hobson made a motion to authorize the Chairman, consistent with rule XVI, clause 4 of the Rules of the House, to declare a recess at any time during the Committee meeting. The motion was agreed to by voice vote.

2. Mr. Sabo offered an amendment to the Chairman's Mark to change the aggregate level of revenues by the amounts necessary to reflect elimination of the tax cuts contained in H.R. 1215. The amendment by Mr. Sabo was not agreed to by a rollcall vote of 17 ayes and 24 noes.

AYES	NOES
Mr. Sabo	Mr. Kasich
Mr. Stenholm	Mr. Hobson
Ms. Slaughter	Mr. Walker
Mr. Coyne	Mr. Kolbe
Mr. Mollohan	Mr. Shays
Mr. Costello	Mr. Herger
Mr. Johnston	Mr. Smith (Texas)
Mrs. Mink	Mr. Allard
Mr. Orton	Mr. Miller
Mr. Pomeroy	Mr. Lazio
Mr. Browder	Mr. Franks
Ms. Woolsey	Mr. Smith (Michigan)
Mr. Olver	Mr. Inglis
Ms. Roybal-Allard	Mr. Hoke
Mrs. Meek	Ms. Molinari
Ms. Rivers	Mr. Nussle
Mr. Doggett	Mr. Hoekstra
	Mr. Largent
	Mrs. Myrick
	Mr. Brownback
	Mr. Shadegg
	Mr. Radanovich
	Mr. Bass
	Mr. Parker

3. Mr. Doggett offered an amendment to the Chairman's Mark to increase aggregate revenue levels, to amend the committee report to reflect the assumption that the President's fiscal year 1996 budget proposal will be enacted and to include the following language:

"The Committee is greatly concerned about the growing phenomenon of millionaire and billionaire Americans renouncing their United States citizenship in order to avoid paying their fair share of our society's tax burden. The Committee strongly believes that the Congress should take steps to stem the revenue loss from expatriation for tax avoidance. As such, the Committee recommends the immediate adoption of the President's fiscal year 1996 budget proposal on this subject. The budget assumes enactment of the President's proposal."

a. Mr. Nussle offered an amendment to Mr. Doggett's amendment to substitute the following report language.

The Committee is greatly concerned about the growing phenomenon of millionaire and billionaire Americans renouncing their United States citizenship in order to avoid paying their fair share of our society's tax burden. The Committee strongly believes that the Congress should take steps to stem the revenue loss from expatriation for tax avoidance."

The amendment was agreed to by voice vote.

b. Mr. Doggett's amendment as amended by Mr. Nussle, was agreed to by a voice vote.

4. Ms. Woolsey and Mr. Pomeroy offered an amendment to the Chairman's Mark to increase budget authority and outlays for Function 500 to reflect continuation of the in-school interest subsidy for student loans, to increase the aggregate level of revenues by an equal amount reflecting reduction of the tax cuts in H.R. 1215, and for other purposes. The amendment by Ms. Woolsey and Mr. Pomeroy was not agreed to by a rollcall vote of 17 ayes and 24 noes.

AYES	NOES
Mr. Sabo	Mr. Kasich
Mr. Stenholm	Mr. Hobson
Ms. Slaughter	Mr. Walker
Mr. Coyne	Mr. Kolbe
Mr. Mollohan	Mr. Shays
Mr. Costello	Mr. Herger
Mr. Johnston	Mr. Smith (Texas)
Mrs. Mink	Mr. Allard
Mr. Orton	Mr. Miller
Mr. Pomeroy	Mr. Lazio
Mr. Browder	Mr. Franks
Ms. Woolsey	Mr. Smith (Michigan)
Mr. Olver	Mr. Inglis
Ms. Roybal-Allard	Mr. Hoke
Mrs. Meek	Ms. Molinari
Ms. Rivers	Mr. Nussle
Mr. Doggett	Mr. Hoekstra
	Mr. Largent
	Mrs. Myrick

Mr. Brownback
Mr. Shadegg
Mr. Radanovich
Mr. Bass
Mr. Parker

5. Mrs. Mink offered an amendment to the Chairman's Mark to increase budget authority and outlays for Function 500 to reflect continuation of discretionary education programs and Head Start at 1995 levels, to increase the aggregate level of revenues by an equal amount reflecting reduction of the tax cuts in H.R. 1215, and for other purposes. The amendment offered by Mrs. Mink was not agreed to by a rollcall vote of 17 ayes and 23 noes.

AYES	NOES
Mr. Sabo	Mr. Kasich
Mr. Stenholm	Mr. Hobson
Ms. Slaughter	Mr. Walker
Mr. Coyne	Mr. Kolbe
Mr. Mollohan	Mr. Shays
Mr. Costello	Mr. Herger
Mr. Johnston	Mr. Smith (Texas)
Mrs. Mink	Mr. Allard
Mr. Orton	Mr. Miller
Mr. Pomeroy	Mr. Lazio
Mr. Browder	Mr. Franks
Ms. Woolsey	Mr. Smith (Michigan)
Mr. Olver	Mr. Inglis
Ms. Roybal-Allard	Ms. Molinari
Mrs. Meek	Ms. Nussle
Ms. Rivers	Mr. Hoekstra
Mr. Doggett	Mr. Largent
	Mrs. Myrick
	Mr. Brownback
	Mr. Shadegg
	Mr. Radanovich
	Mr. Bass
	Mr. Parker

6. Ms. Meek offered an amendment to the Chairman's Mark to increase budget authority and outlays for Function 500 to reflect continuation of discretionary higher education programs at 1995 levels, to increase the aggregate level of revenues by an equal amount reflecting reduction of the tax cuts in H.R. 1215, and for other purposes. The amendment offered by Ms. Meek was withdrawn.

7. Mr. Parker offered an amendment to the Chairman's Mark to reduce budget authority and outlays for Function 270 to reflect a merger of the Institutional Conservation grant program into the State Energy Conservation program. The amendment offered by Mr. Parker was agreed to by a division of 41 ayes and 0 noes.

8. Ms. Woolsey and Ms. Roybal-Allard offered an amendment to the Chairman's Mark to increase budget authority and outlays for Function 600 to reject the Chairman Mark's proposals in the area of child nutrition to increase the aggregate level of revenues by an equal amount reflecting reduction of the tax cuts in H.R. 1215, and

for other purposes. The amendment by Ms. Woolsey and Ms. Roybal-Allard was not agreed to by a rollcall vote of 17 ayes and 24 noes.

AYES	NOES
Mr. Sabo	Mr. Kasich
Mr. Stenholm	Mr. Hobson
Ms. Slaughter	Mr. Walker
Mr. Coyne	Mr. Kolbe
Mr. Mollohan	Mr. Shays
Mr. Costello	Mr. Herger
Mr. Johnston	Mr. Smith (Texas)
Mrs. Mink	Mr. Allard
Mr. Orton	Mr. Miller
Mr. Pomeroy	Mr. Lazio
Mr. Browder	Mr. Franks
Ms. Woolsey	Mr. Smith (Michigan)
Mr. Olver	Mr. Inglis
Ms. Roybal-Allard	Mr. Hoke
Mrs. Meek	Ms. Molinari
Ms. Rivers	Mr. Nussle
Mr. Doggett	Mr. Hoekstra
	Mr. Largent
	Mrs. Myrick
	Mr. Brownback
	Mr. Shadegg
	Mr. Radanovich
	Mr. Bass
	Mr. Parker

9. Mr. Hoekstra offered an amendment to the Chairman's Mark to strike Section 10 and to insert in lieu thereof the following language:

SEC. 10. SENSE OF THE HOUSE REGARDING DEBT REPAYMENT.

It is the sense of the House of Representatives that the Congress has a basic moral and ethical responsibility to future generations to repay the federal debt. The Congress should enact a plan that balances the budget, and then also develops a regimen for paying off the federal debt.

After the budget is balanced, a surplus should be created, which can be used to begin paying off the debt.

It is the sense of the House that such a plan should be formulated and implemented so that this generation can save future generations from the crushing burdens of the federal debt.

The amendment offered by Mr. Hoekstra was agreed to by voice vote.

10. Mr. Hobson made a motion that the Committee adopt the aggregates, function totals, and other appropriate matters contained in the Chairman's Mark. The motion offered by Mr. Hobson was agreed to by voice vote.

11. Mr. Hobson made a motion that the Committee adopt the Concurrent Resolution on the Budget. The motion offered by Mr. Hobson was agreed to by a rollcall vote of 24 ayes and 17 noes.

AYES	NOES
Mr. Kasich	Mr. Sabo
Mr. Hobson	Mr. Stenholm
Mr. Walker	Ms. Slaughter
Mr. Kolbe	Mr. Coyne
Mr. Shays	Mr. Mollohan
Mr. Herger	Mr. Costello
Mr. Smith (Texas)	Mr. Johnston
Mr. Allard	Mrs. Mink
Mr. Miller	Mr. Orton
Mr. Lazio	Mr. Pomeroy
Mr. Franks	Mr. Browder
Mr. Smith (Michigan)	Ms. Woolsey
Mr. Inglis	Mr. Olver
Mr. Hoke	Ms. Roybal-Allard
Ms. Molinari	Mrs. Meek
Mr. Nussle	Ms. Rivers
Mr. Hoekstra	Mr. Doggett
Mr. Largent	
Mrs. Myrick	
Mr. Brownback	
Mr. Shadegg	
Mr. Radanovich	
Mr. Bass	
Mr. Parker	

12. Mr. Hobson made a motion that the Committee report the Concurrent Resolution on the Budget to the House with the recommendation that the Concurrent Resolution be agreed to and that the Concurrent Resolution do pass. The motion offered by Mr. Hobson was agreed to by a rollcall vote of 24 ayes and 17 noes.

AYES	NOES
Mr. Kasich	Mr. Sabo
Mr. Hobson	Mr. Stenholm
Mr. Walker	Ms. Slaughter
Mr. Kolbe	Mr. Coyne
Mr. Shays	Mr. Mollohan
Mr. Herger	Mr. Costello
Mr. Smith (Texas)	Mr. Johnston
Mr. Allard	Mrs. Mink
Mr. Miller	Mr. Orton
Mr. Lazio	Mr. Pomeroy
Mr. Franks	Mr. Browder
Mr. Smith (Michigan)	Ms. Woolsey
Mr. Inglis	Mr. Olver
Mr. Hoke	Ms. Roybal-Allard
Ms. Molinari	Mrs. Meek
Mr. Nussle	Ms. Rivers
Mr. Hoekstra	Mr. Doggett
Mr. Largent	

Mrs. Myrick
Mr. Brownback
Mr. Shadegg
Mr. Radanovich
Mr. Bass
Mr. Parker

13. Mr. Hobson asked for and received unanimous consent that the staff be given authority to make necessary technical and conforming changes in the bill and the committee amendments, and calculate any remaining elements required in the Concurrent Resolution on the Budget.

14. Mr. Hobson made a motion that the Chair be authorized to file the report and to make a motion to go to conference pursuant to Rule XX of the Rules of the House. The motion offered by Mr. Hobson was agreed to by voice vote.

15. The motion to reconsider was laid on the table by unanimous consent.

BUDGET COMMITTEE OVERSIGHT FINDINGS

Clause 2(1)(3)(A) of rule XI requires each committee report to contain oversight findings and recommendations required pursuant to clause 2(b)(1) of rule X. The Committee has no oversight findings.

OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Clause 2(1)(3)(D) of rule XI requires each committee report to contain a summary of oversight findings and recommendations made by the Government Reform and Oversight Committee pursuant to clause 4(c)(2) of rule X, whenever such findings have been timely submitted. The Committee on Budget has received no such findings or recommendations from the Committee on Government Reform and Oversight.

FEDERAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Assumed in this budget is a dramatic devolution of government programs from distant bureaucracies in Washington, DC back to the State and local governments that are closer to and more accountable to the people these programs are intended to serve. The number of Federally controlled programs has proliferated over the years, to the point where for a given need there are a multitude of different Federal programs, each with its own set of onerous rules and regulations. The Budget Committee and the 104th Congress are committed to bypassing the inert Washington, D.C. bureaucracies, and providing State and local governments with the flexibility necessary to solve peoples' needs through logical and innovative ways at the State and local level, instead of with a Federal cookie cutter approach.

MISCELLANEOUS BUDGETARY INFORMATION

With respect to the requirement of clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives and section 308(a) of the

Congressional Budget Act of 1974, the concurrent resolution on the budget for fiscal year 1996 does not contain any new budget authority, spending authority, credit authority, or provide an increase or decrease in revenues or tax expenditures.

VIEWS OF COMMITTEE MEMBERS

Clause (2)(1)(5) of rule XI requires each committee to afford a 3-day opportunity for members of the committee to file additional minority, or dissenting views and to include the view in its report. The following views were submitted:

MINORITY VIEWS

THE REPUBLICAN BUDGET—AN EXERCISE IN EXTREMISM

The Republican budget goes too far. It cuts revenues too much. It cuts Medicare too deeply. It cuts Medicaid too much. It cuts education too much. It hurts our cities and farms unnecessarily. It relies too much on good luck. The Republican budget does too much for the most privileged in our society and too much against the most vulnerable in our society.

There is no doubt that the federal government needs reform. The American people want and deserve quality services at a reasonable price. And they want the federal government to "live within its means". It is clear that many programs can be eliminated, consolidated, streamlined or otherwise improved, but this budget is too extreme. And it is too mean-spirited.

The Republican budget starts out with the premise that we can balance the budget and cut taxes at the same time. Yet, all our historical experience runs counter to that premise. And, in fact, we are still suffering from the last time that tactic was tried in 1981.

As the Budget Committee went around the country on field hearings last winter, its members were told over and over that the people wanted spending cut first. Then, when the budget is balanced, they said they would like a tax cut. Yet the Republican budget cuts taxes first and spending second—precisely the opposite of what the people told us to do.

THE SPENDING CUTS

Clearly, federal health care programs need reform. Both Medicare and Medicaid are growing at rates of 10 percent a year as far as the eye can see. That is not sustainable. It is commendable that the Republican budget wants to deal with these issues, but this plan is too extreme.

The Republican budget cuts Medicare $288 billion over the next seven years. It assumes Medicare spending can be reduced from a projected growth of 10 percent a year over the next seven years down to 9.0 percent next year and then further down to 4.5 percent in the year 2000 and thereafter.

The number of people who need Medicare increases a little more than 1 percent every year. That means in the year 2000 and after, when new caseload is accommodated, all other program costs are assumed to grow only 3.4 percent. Even under the best of circumstances it is difficult to imagine an inflation level that low in a health care system that treats older people. It is difficult to believe cuts that deep could be reached without serious harm to the nation's seniors. And even if they could be implemented in the near future, it is highly unlikely that such a low growth rate can be sustained over time.

The Republican budget plan cuts Medicaid $187 billion over the next seven years. The Medicaid program serves low-income people who don't have health insurance, and it is the main source of funding for long-term nursing home care for most senior citizens. As more and more people live past the age of 85, this program is much more necessary and it becomes more expensive.

The plan assumes a reduction in Medicaid growth from projections of 10 percent a year over the next seven years to 8 percent next year. By 1998, it assumes growth in the federal share of this program is capped at 4 percent a year and stays at that level thereafter. Clearly, this program could benefit from large-scale regulatory reform and again the Republican budget is to be commended for tackling this difficult task. Unfortunately, cuts of this magnitude go way beyond the level of savings that can be achieved through regulatory change. These cuts will necessitate removing the entitlement status from the program and turning it into a block grant. While it is technically possible to "make these reductions stick" under the block grant structure, it is highly unlikely the nation's governors will be able to live with this level of constraint over the long haul.

The Head Start program is frozen at 1994 levels for the next seven years. There now exists more than 20 years worth of data and analysis on the Head Start program. It is a program of proven effectiveness in helping young vulnerable children who might overwise not make it grow into productive students and workers., Clearly this program meets a critical national need. Yet, under the Republic plan, the program would lose 26 percent of its real buying power by the year 2002. This cut is just too deep.

The Republican budget cuts funding for education, training and child care by $82 billion over the next seven years. That is a reduction of 35 percent in real purchasing power. At a time when the nation is facing significant structural changes in its economy and the government is making a renewed attempt to help poor people get off welfare and into the workforce, these cuts are "penny-wise and pound foolish". While some reform is desirable, this cut is just too deep.

This budget incorporates the Republican welfare package passed by the House earlier this year. One of the most disingenuous features of that package was the merging of several time-tested, effective nutrition programs, such as school lunch, into two new block grants in a thinly-veiled attempt to cut funds without acknowledging that children will be hurt. This is one of the Republican budget's most egregious violations of that fundamental rule, "if it ain't broke, don't fix it".

Further the welfare package caps spending because it assumes that people will move off welfare into jobs. Yet at the same time it is reducing welfare spending, it is cutting job training, education, child care, housing, and transportation funds so dramatically that it is unlikely that welfare recipients will actually be able to get off welfare and into the workforce. Once again, this budget goes too far.

THE TAX BREAKS

Is it necessary to cut needed services this deeply to balance the budget? The answer clearly is no. Then why does this budget have to go so far?

The Republican budget needs to slash many areas vital to everyday Americans, because it contains huge tax breaks for the most affluent and privileged members of this society. While the most commonly discussed tax break in the Republican budget is the child credit for families whose incomes are between $15,000 and $250,000, it is the other tax breaks in the package that explode over time, draining off badly-needed resources to give special breaks to America's most privileged citizens.

This budget provides $350 billion in special tax breaks, 67 percent of which goes to Americans who make more than $75,000 a year. At the same time only 1.5 percent of these tax breaks go to families whose incomes are below $20,000 a year. This drain on the federal treasury then is made up by slashing support for ordinary working people and the most vulnerable among us.

CONCLUSION

Over and over throughout this budget we see the extreme ideology of the new Republican majority at work. From Medicare to Head Start, from school lunches to student loans, from agricultural support payments to bus systems in our nation's cities, this budget is too extreme.

There is widespread support throughout the American public for balancing the federal budget, but this support will surely erode if the job is not done more fairly than this. The American people want fiscal discipline exercised with fairness and compassion. This budget does not meet that test.

REPUBLICAN 1996 BUDGET RESOLUTION CHANGES IN DISCRETIONARY PROGRAM FUNDING

[In billions of dollars]

	Enacted 1995	Amount needed in 2002 to maintain 1995 services	Budget amounts year 2002	Percent change in buying power from 1995 to 2002
Total Discretionary:				
Budget Authority [1]	510.4	663.9	503.2	-24.2
Outlays	547.9	678.9	522.7	-23.0
Defense discretionary:				
Budget Authority	262.3	334.2	288.0	-13.8
Outlays	270.3	325.2	280.0	-13.9
Nondefense discretionary:				
Budget Authority [1]	248.1	329.6	215.2	-34.7
Outlays	277.6	353.7	242.7	-31.4
Budget functional categories: [3]				
150 International Affairs	20.4	26.1	13.9	-46.5
250 General Science, Space	17.1	21.8	14.8	-31.8
270 Energy	6.3	8.4	4.2	-50.7
300 Natural Resources & Environment	22.0	27.7	18.6	-32.8
350 Agriculture	4.0	5.2	3.5	-31.6
370 Commerce & Housing Credit	3.3	4.4	1.8	-58.8
400 Transportation [2]	38.9	47.6	33.2	-30.3

REPUBLICAN 1996 BUDGET RESOLUTION CHANGES IN DISCRETIONARY PROGRAM FUNDING—Continued

[In billions of dollars]

	Enacted 1995	Amount needed in 2002 to maintain 1995 services	Budget amounts year 2002	Percent change in buying power from 1995 to 2002
450 Community & Regional Development	8.9	11.2	6.6	-40.6
500 Education & Training	42.0	53.2	34.7	-34.7
550 Health	22.8	29.1	20.8	-28.5
570 Medicare administration	3.0	4.1	3.0	-26.8
600 Income Security [1]	34.0	55.4	39.0	-29.6
650 Social Security administration [2]	2.5	3.2	2.5	-22.7
700 Veterans	18.3	23.9	18.2	-23.8
750 Administration of Justice	18.1	23.4	15.9	-32.1
800 General Government	12.3	15.8	10.6	-32.9
900 Net Interest	0.0	0.0	0.0	na
920 Allowances	0.0	0.0	-2.6	na
950 Undistributed Offsetting Receipts	0.0	0.0	0.0	na

[1] Note: Budget authority to maintain current services includes long-term housing contract renewals sufficient to maintain current housing assistance. Expiring contracts bunch more in some than other years, including the year 2002.
[2] Note: Outlays are shown for this function. For technical reasons, budget authority is not a good indicator of budget resources.
[3] (Budget Authority is shown unless otherwise noted.)

MAJOR ENTITLEMENT REDUCTIONS IN THE HOUSE REPUBLICAN 1996 BUDGET

[In billions of dollars]

	1995 level	Percentage change from current law	
		1996	2002
Medicare	$158.1	−4	−27
Medicaid	89.2	−3	−32
Food stamps	25.1	−6	−24
Supplemental Security Income	24.3	−6	−16
Family support payments (AFDC)	17.2	−8	−24
Child nutrition	7.6	−16	−33
Student loans [1]	5.2	−43	−94
Agriculture support payments	8.4	−11	−49
Civilian and foreign service retirement	38.3	−4	−6
AFDC JOBS	1.0	−85	−100

[1] Reductions represent loss of the federal subsidy. The unsubsidized student loan program will remain.

Note: Totals do not reflect the impact of the CPI minus 0.6%, which the resolution assumes will begin in 1999.

MAJOR ENTITLEMENT REDUCTIONS IN THE HOUSE REPUBLICAN 1996 BUDGET SHOWN AS CHANGES FROM THE CBO BASELINE

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	5-year total	7-year total
Medicare	−6.5	−15.4	−24.7	−36.7	−51.1	−67.6	−86.4	−134.4	−288.4
Medicaid	−2.9	−8.4	−16.3	−24.9	−33.8	−43.7	−56.6	−86.3	−186.6
Food stamps	−1.5	−3.6	−4.4	−5.0	−5.8	−6.9	−8.4	−20.2	−35.5
Supplemental Security Income	−1.5	−4.2	−4.7	−5.1	−6.0	−6.7	−7.6	−21.5	−35.8
Family support payments (AFDC)	−1.4	−1.5	−1.9	−2.6	−3.2	−4.0	−5.1	−10.6	−19.6
Child nutrition	−1.3	−2.1	−2.5	−2.8	−3.1	−3.5	−3.9	−11.8	−19.1
Student loans	−1.6	−2.5	−2.6	−2.8	−2.9	−3.0	−3.2	−12.4	−18.7
Agriculture support payments	−1.0	−1.0	−2.0	−2.0	−3.0	−4.0	−4.0	−9.0	−17.0
Civilian and foreign service retirement	−1.5	−2.2	−2.4	−2.4	−2.3	−2.6	−3.2	−10.9	−16.7
FCC spectrum auction	−0.0	−0.6	−2.3	−3.7	−3.8	−2.4	−2.4	−10.3	−15.0

MAJOR ENTITLEMENT REDUCTIONS IN THE HOUSE REPUBLICAN 1996 BUDGET SHOWN AS CHANGES FROM THE CBO BASELINE—Continued

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002	5-year total	7-year total
AFDC jobs	−0.8	−1.0	−1.0	−1.0	−1.0	−1.0	−1.0	−4.7	−6.6
Veterans benefits	−0.3	−0.3	−0.5	−1.2	−1.3	−1.3	−1.5	−3.6	−6.4
Asset sales	−2.4	−1.5	−3.4	−1.0	−0.5	−0.9	−0.8	−5.9	−4.1
User fees (excl. veterans)	−1.0	−1.1	−1.2	−1.4	−1.5	−1.6	−1.7	−6.1	−9.4
All other	−0.4	−1.5	−0.6	−0.1	−0.1	−2.2	−4.7	−1.6	−5.3
Total entitlement changes	−24.1	−43.9	−69.3	−90.3	−118.3	−149.7	−188.7	−346.0	−684.3

Note: Totals do not reflect the impact of the CPI minus 0.6%, which the resolution assumes will begin in 1999.

ADDENDUM TO MINORITY VIEWS

THE LUCK FACTOR

Will this budget work? The Republican budget plan is very fragile, relying on a great deal of luck to achieve its objective of a zero deficit by the year 2002. It includes six underlying assumptions, each of which is plausible alone, but when taken together can best be described as "interlocking optimism".

First, the Republican budget includes an interest and growth bonus of $170 billion in deficit reduction. It assumes that financial markets will respond to passage of a balanced budget plan with lower interest rates and builds savings from this assumption into the plan. However, interest rates are not going to come down unless financial markets find the plan credible and realistic. For the bonus to be realized, everything else has to work as planned.

The budget is highly backloaded, assuming many of its deepest cuts can be made in later years. This backloading is made necessary by the exploding costs of the Republican tax breaks in the last two years of the plan. However, this feature makes the plan less credible to financial markets. Interest rates may not come down until sizable deficit reduction is actually achieved in later years, thereby reducing the interest and growth bonus.

It is not unreasonable to assume that major changes in programs such as Medicare will take time and may need to be phased in over a period of years. In that sense the backloading of some of the budget cuts is realistic. However, this Republican budget assumes an unprecedented ability to restrain the growth in health care costs, particularly health care for the elderly, over a long period of time.

For instance, in the Medicare program the plan assumes current annual growth can be lowered from 10 percent to 4.5 percent. Even if it were possible to get these costs down to such a low rate of growth for a year or two, extensive experience in both the private and public sectors suggests that these low levels cannot be maintained over time. Unless the Republicans are willing to reduce Medicare services dramatically, it is highly unlikely this assumption will work.

In the Medicaid program, this budget relies on conversion to a block grant to hold cost growth down to 4 percent a year. Since the program will experience new caseload growth of between 3 percent and 4 percent a year throughout the budget time frame, this level represents a real crunch. While it is technically feasible to contain the federal share of the program this way, it is unlikely that states will be able to meet the demand for these services. Political pressures may very well force more federal contributions by the end of this budget cycle. Once again, the assumption of continued austerity may be highly unrealistic.

The Republican budget assumes agriculture spending and welfare costs will continue to decrease over seven years. But, they are only reconciled for five years. Without the enforcement mechanism of reconciliation the assumption that these cuts will ultimately be realized is shaky at best.

Along with these program changes there is an additional backloaded cut built into the Republican budget baseline. That is the assumption that the Consumer Price Index (CPI) will be reduced by 0.6 percent a year starting in 1999. This is important because many federal benefit programs and tax brackets are indexed to the CPI. If the CPI is lower than currently projected, the government will spend less on retirement and Social Security benefits and it will take in more revenue in income taxes.

While there is widespread agreement that new statistical work in progress at the Bureau of Labor Statistics will result in some lowering of the CPI by the end of the decade, it is not at all certain that this reduction will be as high as 0.6 percent. Clearly, this is another questionable assumption.

Last, but not least, the Republican budget incorporates the tax breaks passed by the House earlier this year which increase revenue losses over time quite dramatically. In fact, years six and seven of this budget cycle contain revenue losses of $82 and $90 billion respectively from the tax bill. It is because these revenue losses are so great in the last two years that spending cuts had to be so heavily backloaded. Clearly the tax breaks drive a risky final balancing act.

While it is possible that each of these above mentioned changes could occur as planned, it is not likely that they will all work together. And, since the budget savings in the plan are compounded over time, any loss of savings will have the reverse effect of exploding the deficit over time. At the end of the day, the interest and growth bonus will not be realized if the whole package does not work together.

It is safe to conclude from a view of the entire plan that its achievement of actual balance in 2002 is fragile at best. And most of this fragility is driven by the need to pay for exploding tax breaks for the most affluent members of American society.

MARTIN O. SABO.
ALAN B. MOLLOHAN.
WILLIAM J. COYNE.
HARRY JOHNSTON.
LOUISE SLAUGHTER.
GLEN BROWDER.
LUCILLE ROYBAL-ALLARD.
LYNN N. RIVERS.
WILLIAM H. ORTON.
JERRY F. COSTELLO.
CARRIE P. MEEK.
PATSY T. MINK.
JOHN W. OLVER.
LYNN C. WOOLSEY.
EARL POMEROY.
CHARLIE STENHOLM.

DISSENTING VIEWS—AGRICULTURE HON. EARL POMEROY

There has been a stark contrast over the past eight years between agricultural spending and total federal spending. The Committee-approved budget resolution does not recognize this fact. The resolution proposes reductions in agricultural farm programs by approximately 40 percent—$17 billion over seven years. This is a disproportionate cut.

Since 1986 Commodity Credit Corporation (CCC) spending has been reduced by 60 percent, while total federal spending has increased nearly 50 percent. Agricultural programs have delivered a solid return on taxpayers' investments and, therefore, should not be singled out for a disproportionate share of any required spending reductions.

The Budget Resolution also appears to double-count savings in agriculture that have already taken place. For example, the Committee appears to envision savings from reorganization at USDA, while in fact, reorganization of USDA was approved last year and is already expected to save as much as $4.1 billion through Fiscal Year 1999 as more than 1,200 field offices are closed, over 13,000 employees terminated and 43 agencies consolidated into 29.

Furthermore, under the recent Uruguay Round of GATT Agreement, the US along with other countries is required to reduce its support for domestic farm programs by 20 percent by the year 2000 from the 1986–88 base period. However, the US has already more than achieved these reductions, by reducing spending by over 70 percent from the 1986 base year. On the other hand, in this same time-frame the European Union (EU) has increased spending by over 200 percent. To require the US is to make further reductions in such programs without requiring similar corresponding reduction by the EU and other foreign competitors would be unfair to US farmers.

US agriculture currently faces a farm program disadvantage. Further cuts in US agriculture spending—as proposed in this budget resolution—will worsen the situation. Not only will our farmers be disadvantaged, but American consumers will share in their loss.

In the United States we have an excellent example of the effects of eliminating a farm program. Last year, Congress eliminated the wool and mohair program. In only one year since the elimination: 500 sheet farmers/ranchers have been forced out of business each month; the American sheep inventory has decreased by 18 percent; US wool production has dropped to an all-time record low; and 29 percent of sheep meat slaughter and packing plants have closed their doors. Unfortunately, this is just the beginning of the demise for the sheep and wool industry.

The fundamental objective of domestic farm subsidies is to compensate farmers at a level sufficient to attract financing for what, by nature, is a high risk investment, yet allow agricultural products to be sold at lower market prices. The US farm policy is offset by EU subsidies, the extent to which the global system of agriculture subsidies "buys down" consumer prices. The inescapable conclusion is that these relationships bear some relation to comparative production costs in the US and the EU. If agricultural products from the US, the EU—and virtually every other exporting nation—were marked at prices sufficiently to fully cover production costs and provide a reasonable return on a risky investment, retail prices would be much higher! In other words, the American consumer benefits from the US farm program.

The record of federal spending for agricultural programs and the return on taxpayers' investment should be held up as a model for other budget items, not singled out for disproportionate cuts.

EARL POMEROY.

DISSENTING VIEWS—POWER MARKETING AGENCIES

The Committee has scored a one-time net funding gain of $4.18 billion from the asset sale of the power marketing agencies (PMAs). At best, this is a questionable policy.

The PMAs already operate on a "no-net-cost" basis to the federal government. While the government does loan money to the PMAs, all the money—plus interest—is paid in full. Selling the PMAs may provide a one-time cash infusion—but selling PMAs won't mean real savings to the government in the long-run.

That is why earlier this year, over 55 Members of the House wrote a letter to the Speaker and Chairman Kasich urging them to do all that they could to oppose the sale. Despite the obvious message of concern about moving forward on the PMA sale proposal, the budget resolution approved by the Committee scores a savings to the treasury from this initiative.

There are many who question the result of a PMA sale—specifically with regard to the impact on electric rates for consumers currently receiving PMA power. It remains the position of many that it is foolish to push forward a proposal that won't save the government money, but could increase electric rates for consumers.

EARL POMEROY.

DISSENTING VIEWS—LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

The Republican budget errs when it assumes that eliminating the Low Income Home Energy Assistance Program (LIHEAP) will save federal dollars. By assisting families with their heating bills, we help them makes ends meet, rather than accessing more costly programs. For senior citizens, their LIHEAP benefit can be the element which keeps them living independently in their homes, rather than entering costly senior care facilities.

Reducing or eliminating an effective program like LIHEAP sends a confusing and inconsistent message to the states regarding our ongoing efforts to reform federal social service programs, and to allow greater local flexibility. As welfare reform highlights self-sufficiency and independence from welfare, it is ironic that one program which is really cost-effective has been targeted for elimination.

JOHN W. OLVER.
CARRIE P. MEEK.
EARL POMEROY.

DISSENTING VIEWS OF LOUISE SLAUGHTER

I voted against the FY 1996 Republican Budget Resolution because I am deeply troubled about the impact this package will have America's working families and senior citizens. I support the efforts of the Chairman to balance the budget and streamline federal programs. Some of the very suggestions offered by the Republicans are those that have been put forth by a Democratic Administration. There is no doubt that reducing deficit spending is good fiscal policy.

In 1993, with bi-partisan support, the U.S. Congress enacted a major National Institutes of Health (NIH) authorization which for the first time placed an emphasis on women's health research. The 1993 NIH Reauthorization bill restored gender equity to health care research. No longer would we have major health studies excluding women and the unique health care needs of women. The impact of 28.5% across-the-board reduction in health related programs, as called for in the Republican budget will undermine the objectives of the 1993 legislation. All of the gains made in areas like breast and ovarian cancer research and detection will be gone. The discovery of a breast cancer gene if directly attributed to an increased focus on women's health research. Breast cancer is one of the greatest threats to the American family.

The massive reductions in Medicare spending as called for in the Republican Budget resolution will result in increased premiums, deductibles and co-payments for millions of low and moderate income senior citizens. I am particularly concerned abut the impact of a 20% co-payment for Medicare home health care. This new out-of-pocket expense for Medicare recipients would be nothing more than a "sick tax" on those elderly who can least afford it. Currently most of the elderly receiving home healthcare services have just been discharged from a hospital and heed sub-acute or rehabilitation care. Almost 80% of Medicare home health users have annual incomes of less than $15,000. Three-quarters of all program users are over age 75. And two-thirds of Medicare home health service recipients are elderly women. A 20% co-payment would jeopardize the quality of care for millions of low income senior citizens and force them into nursing homes or back into hospitals. Effective and efficient home health care benefits reduce both Medicare and Medicaid costs and is an option that should be encouraged, not discouraged. I am hopeful that it trying to meet a $283 billion reduction in Medicare that the Ways and Means Committee does not impose a new "sick tax" on our most vulnerable citizens.

The Republican budget, adopted on May 10th makes radical and arbitrary reductions in important educational programs. Study after study has shown the direct link between education and productivity. Ensuring access to quality education both at the secondary and postsecondary is critically in a competitive, global economy.

We should be improving our investment in education, not dismantling every program regardless of the targeted constituents. For a small amount of federal funding, and estimated 350,000 children have received services through the McKinney Homeless Education Program. As a result of this program, the number of homeless children not in school has been reduced from more than 50% to approximately 18%. In 1994 over 80% of state grant funds from the program went directly to local programs; the local districts design their own programs so as to best meet their individual community's needs. The Homeless Education Program is almost completely "bureaucrat-Free." I am dismayed that the Republicans wish to eliminate this program. The cost is so low; the program so productive that it can only be meanness that causes this cut.

In conclusion, the Budget Resolution approved by this Committee on May 10th threatens working families, children and senior citizens. If the republicans were serious abut deficit reduction, they would not be attempting to implement a $700 billion tax give-away. I cannot support this kind of assault on working women, children and our nation's elderly. I stand ready to work towards a balanced budget, and have supported real deficit reduction, but I will not stand by and watch this inhumane political grandstanding at the expense of the most vulnerable in our society.

LOUISE SLAUGHTER.

DISSENTING VIEWS OF CARRIE P. MEEK

Let me begin by stating my strong opposition to the Republican Budget Resolution for FY 1996. This budget assumes massive cuts in vital programs such as Medicare, Medicaid, education, Head Start, child nutrition, and programs affecting the elderly and children in order to pay for a $350 billion tax cut to the most affluent in our society. That trade-off is totally unacceptable to me, and I believe when Americans learn exactly what is in the " Contract With America" and this budget, they will agree that this compact is anathema to our ideals. I heartily oppose deep reductions in housing, agriculture, transportation, natural resources, veterans' programs, and other extremely important areas.

MEDICAID

The Republican Budget Resolution assumes $186.6 billion in Medicaid savings by block granting and reducing Medicaid funding. A Medicaid block grant capped at 5 percent growth per year would devastate Florida. Florida would lose over $5 billion over five years if this plan is adopted. The current Medicaid formula is severely flawed, and a block grant without any attention to changing the underlying distribution of funds would lock in the extremely unfair Medicaid allocation to states.

Florida is a high growth state, and of the large states, has the largest elderly population as a percentage of its total population. In addition, Florida has the second highest poverty rates among the largest states—17.6 percent. Florida's growing demand for health care is based on population trends and will not stop expanding because Federal funds shrink. Since these important demographic factors are not taken into account with a block grant based on current law, many states will be in severe financial straits and probably not be able to provide the health care safety net.

A capped block grant is likely to preclude some preventive health care, acute care and nursing home care for the elderly and children. It will require states to either choose one group over another, cut specific benefits, or raise taxes. This puts us in an untenable position, and I strongly object to the Republicans' budget resolution assumptions about Medicaid. Florida has been fiscally responsible; it has held down Medicaid costs and has not exploited loopholes in the Medicaid disproportionate share (DSH) payments. Therefore, a lower Florida Medicaid base will be the inequitable foundation of a new block grant to states. Florida will be punished by a block grant rather than being rewarded for its cost-saving efforts. No amount of flexibility can make up for the loss of these billions of Federal funds.

MEDICARE AND HEALTH CARE REFORM

When President Clinton took office, he inherited a major Medicare crisis, and twenty-seven days later proposed a deficit reduction plan that included policies to strengthen the Medicare Trust Fund. In fact, this action kept Medicare solvent for three additional years. On the other hand, the "Contract With America" included a proposal that would weaken the Trust Fund by $27 billion over seven years. The additional Medicare cuts of $288.4 billion assumed in this Republican Budget Resolution would not have been necessary if the Republicans had not pushed through $350 billion in tax cuts to the wealthy.

The Medicare trust fund is estimated to be insolvent by the year 2002. Democrats tried to shore up the Medicare trust fund, and the legislation was opposed by all Republicans. The President proposed an overall health care reform plan that dealt with the nation's health care problems. That was rejected. Now it is time for the Republicans to show some leadership and propose a plan that will deal with the health care crisis. Slashing Medicare and Medicaid does not reform the "system." Without a plan that includes all aspects of the health care community, the result is cost shifting from the federal government to the private sector. That is the only accomplishment of the Republican plan.

VETERANS' HEALTH CARE

The Republican Budget Resolution proposes cuts of $8.8 billion in budget authority and $8.6 billion in outlays over seven years, with a $1.2 billion discretionary cut below a 1995 freeze. This represents a 24 percent decline in discretionary spending purchasing power between 1995 and the year 2002. The major discretionary accounts are for veterans' medical care.

The Department of Veterans Affairs serves primarily veterans who are older, more disabled, and poorer than the average American. It is essential that the VA system maintain funding sufficient to serve our veterans. The VA cannot provide adequate health care if funding is reduced. Straining the systems to its limits by severely underfunding it is unconscionable.

Another major concern of mine is a Republican Budget Resolution assumption that will "withhold compensation [service-connected disability] for certain incompetent veterans with large estates." I strongly oppose this proposal if it is the one previously enacted and repealed.

WOMEN'S AND MINORITIES' HEALTH

The Republican Budget Resolution targets nearly $13 million in discretionary health program cuts between now and the year 2002, including a $4 billion reduction below the 1995 level of funding for the National Institutes of Health (NIH). This represents a decrease of over 28 percent in real terms between 1995 and the year 2002. this would have a significant impact on Americans' health and well-being, biomedical research, and our international competitiveness.

Women's health issues have been ignored for years in the biomedical community, including the National Institutes of Health.

Only recently have federal funds been targeted to women's health, after decades of slighting women's health research. I have a special interest in Lupus, an immune system disease that strikes a disproportionate share of women, particularly African American women. Nine out of ten persons stricken with this incurable disease are women, and Lupus has the most impact on women during their childbearing years. From 1.4 million to 2 million Americans suffer from this painful, debilitating disease. H.R. 835, which I introduced, authorizes increased funding to the National Institutes of Health to conduct research into the causes and cure of Lupus. It is time to make up for many years of neglect and fully fund biomedical research into the cause(s) and cures of Lupus and other major causes of women's death such as cardiovascular diseases, lung and breast cancer. I urge the Appropriations Committee to meet my challenge.

Health statistics indicate that three is wide health disparity among different groups of Americans. Those who have traditionally been disadvantaged economically and educationally are more at risk for a variety of diseases. One of the most compelling indicators is infant mortality. Although the U.S. infant mortality rate is at an all-time low, the rate for African American infants continues to be twice the rate of whites. African Americans suffer disproportionately from cancer, diabetes, hypertension, low birth weight, and infant mortality. "Healthy People 2000," a Health and Human Service analysis, indicates that rates for African American men are 55 percent higher for heart disease, 26 percent higher for cancer, 180 percent higher for stroke and 100 percent higher for lung disease. Life expectancy for this group has lagged behind that of the total population, and has actually widened in the last decade. Closing the gap in health status should be one of our highest priorities.

Every effort should be made to end such disparities through research, expanding preventive, routine, and prenatal health care, and additional strategies to increase education and income status, because socioeconomic factors are underlying causes of many health problems.

EDUCATION

The Republican Budget Resolution assumes the elimination of the Department of Education. If the proposed savings of $49.2 billion (BA) are adopted, I believe in the long run these program cuts will cost us dearly.

Well-educated students are our nation's future. They assure a competitive economy, as well as bolstering our Democratic system, social progress, and equality of opportunity. In 1993–94, over six million students received Federal financial aid for post-secondary education. The investment in our students is immeasurable. I am committed to every aspect of education from preschoolers' Head Start experience to higher education.

The Budget Resolution assumes the elimination of the in-school interest subsidy for guaranteed student loans. In addition, discretionary higher education programs targeted to low-income students were assumed to be eliminated. I proposed an amendment to restore all of the higher education cuts, which I withdrew after a party-line vote in which all Republicans opposed adding back all cuts in Federal education programs.

HUMANITARIAN AID

My office has received a large number of letters requesting that the United States' humanitarian aid be continued. Most Americans share a deep concern for starving, dying children in a war-torn world. We are a compassionate people. Let the budget underscore that.

Children and young people are our most valuable resource and will shape American's future, I can think of no other investment quite as important as funding programs to educate and provide health care for our children. The Republican Budget Resolution reflects a low priority on our children, and that deeply troubles me. The Budget Resolution's lack of concern for our elderly and disabled also strikes a somber chord. Because of these and other concerns, I strongly oppose this Budget Resolution.

CARRIE P. MEEK.

ADDITIONAL VIEWS—ARMY CORPS LOCAL FLOOD CONTROL AND WATER PROJECTS

We urge the Appropriations Subcommittee on Energy and Water, when making the spending reductions required to comply with this Resolution, to place priority on funding for all local flood control and water projects already begun by the Army Corps of Engineers before appropriating funds for newly proposed projects.

Notwithstanding this provision, the localities which are required to provide matching funds for these local flood control and water projects should retain the option to discontinue them should they lack the matching funds necessary to qualify for federal funding.

LYNN WOOLSEY.
LOUISE SLAUGHTER.
JERRY F. COSTELLO.
CARRIE P. MEEK.

ADDITIONAL VIEWS HON. JERRY F. COSTELLO

I am concerned the budget resolution adopted by the House Budget Committee on May 10, while potentially successful in reducing the deficit, is irresponsible fiscal policy. I cannot support a budget resolution that gives enormous tax breaks to the wealthy while cutting critical government programs, including a virtual assault on Medicare.

I fully support getting to a balanced budget. In fact, I have voted for an amendment to the Constitution mandating a balanced federal budget. The budget resolution for Fiscal year 1996, however, cuts crucial programs at a time when our federal belt-tightening will mandate a greater need for certain programs. I am especially concerned about the deep cuts in education, the elimination of the Legal Services Corporation and clean coal technology programs, as well as drastic reductions in mass transit.

The education of our children should be a top priority for our nation. The education our children receive must be adequate in keeping the U.S. economy competitive in the next century. Recent assessments of math and science achievement found that American children ranked dismally compared with students from other nations. The proportion of young people completing high school has remained stagnant for a decade, despite the everincreasing demands for education in the job market. National education reforms under Goals 2000 pointed our nation in the right direction. This budget, however, eliminates Goals 2000. Having all our students starting school ready to learn, increasing the high school graduation rate, teaching every adult to read and ridding our schools of drugs and violence are not goals we should abandon. While our deficit needs to be eliminated, we must not eliminate the education of future generations.

The budget resolution also eliminates funding for portions of the federal Impact Aid program. Impact aid provides for the basic educational program for children enrolled in school districts impacted by a federal presence such as military installments. The impact aid program must be properly funded to ensure that those children educated in schools impacted by a federal presence are guaranteed a quality, basic educational program.

Federally-connected students deserve the same opportunities as children in non-impacted areas. Because of where they live or where their parents work, these children do not bring in the same local tax dollars as do their non-federally-connected peers, so the local taxpayer must subsidize their education. This puts an unfair burden on localities with a strong federal presence. Local governments justifiably regard federally-connected students as a federal responsibility; these students are there because of the federal government.

Year after year we have to fight to continue funding for the impact aid program. Impact aid is a means of survival for school districts educating students who live in communities impacted by federal property. The proposed cuts come at a time when a majority of states are facing budget deficits and local school districts will have to either increase local tax revenues or cut programs. It is not fair to ask local taxpayers to subsidize the bill for federally-connected students, especially at a time when we are promising no more federal mandates on the states.

The Legal Services Corporation is a good example of a federal program that is effectively administered at the local level, which is the direction this Leadership seems to be heading. The Legal Services Corporation (LSC) is a private, non-profit corporation established by Congress to help provide equal access to justice under the law for all Americans. It receives funds annually from Congress and makes grants directly to independent local programs that provide civil legal assistance to those who otherwise would be unable to afford it.

At a time when the leadership of this body desires to expand the role of state and local authority and shrink the size and scope of the federal government, the Legal Services Corporation sets an example of where this idea is working. The LSC is all about giving authority to localities. The creators of the LSC recognized that decisions about how legal services should be allocated are best made not by bureaucrats in Washington, but at a local level, by the people who understand the problems that face their communities.

The LSC currently provides funds to 323 programs operating over 1200 neighborhood law offices. Together they serve every county in the nation. LSC programs provide services to more than 1.7 million clients a year, benefitting approximately 5 million individuals, the majority of them children living in poverty. The phase-out of the Legal Service Corporation represented in this budget eliminates a much-needed program and threatens the life and livelihood of every poor or near-poor person in this country.

During the Bush Administration, the Clean Air Act was signed into law. This law disproportionately affects the midwestern coal industry because of the high sulfur content of midwestern coal. Western, low sulfur coal complies more easily to the Clean Air Act. This budget resolution further hurts the midwestern coal industry by eliminating clean coal technology development programs. Clean coal technologies are imperative to the future of the midwestern coal industry in order for it to be a competitive energy source.

Additionally, by promoting clean coal technologies in our nation and throughout the world (especially in Eastern Europe and developing countries) we can help achieve common goals: a cleaner environment and less dependence on oil. Innovative clean coal technologies offer tremendous potential as part of the solution to many complex problems facing the nation and the world regarding energy, economic and environmental issues. Coal's abundance makes it one of the nation's most important strategic resources for building a more secure energy future. To abandon the future development of clean coal technology is a step backward both economically and environmentally.

Finally, I want to express my strong reservations about cuts in mass transit included in this budget. These cuts, coupled with the Republican welfare package passed by the House earlier this year, will disproportionately impact those who rely on public transportation who do not have access or cannot afford private transportation. This budget assumes people will move off welfare into the workforce. This will be increasingly difficult since federal programs are being drastically scaled back, including food assistance, housing, child care and transportation. In effect, individuals who want to move into the workforce will be forced to stay home if they have no way of commuting to a job.

This budget eliminates future funding for expansion of mass transit projects such as subway systems and light rail projects—thereby continuing to deny access to those without transportation. By reducing the federal matching rate for mass transit capital expenditures to fifty percent, local communities who have budgeted for certain federal assistance will now have to raise local taxes or raise fares to accommodate this new federal mandate. It is hidden costs such as these that will hit American citizens hard to pay for tax cuts which primarily benefit large corporations and the richest in our society.

This budget is too extreme. It is unfair, and it asks too much of the majority of Americans. I firmly believe we must continue on a serious path toward real deficit reduction. Our $4.7 trillion dollar debt is not a legacy I, in good conscience, can leave to my children and grandchildren which is why I think we cannot afford a tax cut until we reach a balanced budget. However, as we reduce government services we must protect those who will be hardest hit by such reductions.

JERRY F. COSTELLO.

ADDITIONAL VIEWS REGARDING THE DEPARTMENT OF ENERGY'S DISMANTLEMENT OF NUCLEAR WEAPONS

During Committee markup, I asked Congressman Allard, a Member of the Committee, about the majority's intentions regarding the dismantlement of nuclear weapons performed by the Department of Energy (DOE). I was told that they intended to privatize these activities by handing them over to a private company. I can't believe they've thought this through: privatizing the dismantlement of nuclear weapons is not the same as privatizing janitorial services at the DOE. The risks to national security, indeed to the very safety of the American people, require the highest level of supervision by personnel who have absolutely no interest in cutting corners by reducing their costs for the sake of increasing profits.

EARL POMEROY.

ADDITIONAL DISSENTING VIEWS OF HON. PATSY T. MINK

The Budget Resolution adopted by the full Budget Committee outlines a vision for the future of our country in which we will achieve a zero budget deficit at the expense of working Americans and the most vulnerable in our society, while increasing the coffers of the most wealthy. I wish to express my particular concerns about the Child Nutrition Block Grant and the Davis-Bacon Act, and clarify the record on cuts to the Perkins College Loan program.

Despite Republican rhetoric to the contrary, the Republican Budget Resolution confirms and relies on the fact that the Republican Welfare Reform plan reduces funds for the school lunch and breakfast programs in order to achieve the necessary budget savings to reach a zero budget deficit in the year 2002.

According to the Congressional Budget Office (CBO) funds necessary to carryout the programs under the current school-based nutrition programs will increase from $8 billion in Fiscal Year 1995 to $10.9 billion in Fiscal Year 2000. However, the Republican Budget provides only $6.6 billion in Fiscal Year 1996 rising to $8.5 billion in Fiscal Year 2002.

CBO estimates take into account projected increases in enrollment, increases in food prices, and other inflation factors. However, even if one does not consider these factors (as the Budget Resolution does not), funds for school nutrition programs will be reduced under the Republican Budget Resolution. By not taking into account the inflation factors, the Republican Budget Resolution assumes a savings of $8 billion per year from the repeal of the child nutrition programs, but replaces those programs with block grant funds of only 46.6 billion in FY96, $6.9 billion in FY97, $7.2 billion in FY98, $7.5 billion in FY99 and $7.8 billion in FY2000.

The following chart demonstrates the CBO estimates of the amount of savings resulting from the repeal of the school-based children nutrition programs, the Budget Committee estimates of these same savings, and the amount of money included in the school-based nutrition block grant.

	Fiscal year—					
	1995	1996	1997	1998	1999	2000
CBO Estimates:						
Budget Authority	(8.093)	(8.565)	(9.142)	(9.739)	(10.385)	(10.984)
Outlays	(7.987)	(7.299)	(9.055)	((9.649)	(10.271)	(10.891)
Budget Committee Estimate:						
Budget Authority	(8.093)	(8.093)	(8.093)	(8.093)	(8.093)	(8.093)
Outlays	(7.985)	(7.985)	(7.985)	(7.985)	(7.985)	(7.985)
Block Grant Funding:						
Budget Authority	n/a	6.681	6.956	7.237	7.538	7.849
Outlays	n/a	6.013	6.929	7.209	7.508	7.818

Clearly the funds provided in the School-based Nutrition Block grant do not equal or exceed the funds which would have been available for this program under current law, by both the CBO and Budget Committee estimates.

I would also like to clarify the record on the issue of the Carl Perkins Loan program. During the debate on the elimination of the in-school interest subsidy for the Federal Stafford Student Loan program, Republican Members made reference to the fact that students would be able to take advantage of a full range of other student aid programs which they did not cut, including the Perkins Loan program.

However, according to the documents provided by the Majority, the Budget Resolution assumes $158 million in annual savings from capital contributions to the Perkins Loan program. This $158 million are funds normally provided on an annual basis to the amount of capital available for the Perkins Loan program. The Administration requested $178 million for this program for Fiscal Year 1996.

Finally, the Budget Resolution's recommendation to repeal the Davis-Bacon Act, which requires contractors on federally-funded construction projects to pay their workers no less than a local area's prevailing wage rates for the same type of construction, is ill-advised. It will adversely impact the over one-half million construction workers who currently receive prevailing wages pursuant to the Davis-Bacon Act.

The Davis-Bacon Act minimizes the exploitation of unskilled and semi-skilled labor, of which 35% are women and minorities, by ensuring that if these workers are paid less than the prevailing wage, they must be enrolled in apprenticeship or training programs that will help them develop their skills and increase their marketability. Without Davis-Bacon, contractors will have less incentive to enroll workers in training programs.

It should be noted that repealing Davis-Bacon will not necessarily lower the cost of construction for the Federal Government because equating wage reductions with dollar-for-dollar savings does not account for factors such as the relationship between productivity and wages. For example, higher wage rates attract better skilled and productive workers which result in higher efficiency and decreases the chance of cost overruns. In addition, estimates of the savings attributable to the Davis-Bacon Act do not take into account the loss of income tax revenues from construction workers whose earnings will be reduced without a Davis-Bacon requirement.

A February 1995 study by the University of Utah estimated that Federal income tax collections would fall by at least $1 billion per year if Davis-Bacon is repealed. The study which examined the economic impacts of the repeal of state Davis-Bacon laws in nine states also concluded that the repeal of Davis-Bacon would increase workplace injuries (due to increased use of less skilled workers) and generate a period of significant cost overruns on Federal construction projects.

In addition, the dislocation of local construction companies is the most egregious of all effects of the repeal of the Davis-Bacon Act. These small businesses will lose Federal contracts to larger "pirate" construction conglomerates who will win Federal contracts solely on the basis of low bids without consideration of quality of workmanship or stability of the local economy.

Davis-Bacon does not require payment of union wage rates. The perception that the Davis-Bacon rate is "usually the union rate" is a carry-over from the days preceding 1983, when the prevailing rate was the union rate if that union rate went to 30% of the workers in any one classification. Since 1983, the prevailing rate is the union rate only if that union rate is paid to 50% of the workers in any one classification. Accordingly, only 29% of the prevailing wage schedules issued by the Department of Labor require Federal contractors to pay collectively-bargained rates across-the-board.

PATSY T. MINK.

ADDITIONAL DISSENTING VIEWS ON REPUBLICAN CUTS IN STUDENT AID AND CHILD NUTRITION

During consideration of the FY 1996 Budget Resolution, debate on two deficit-neutral amendments drew an especially clear distinction between Democrats and Republicans on the Committee: the Woolsey/Pomeroy amendment to reject cuts in student aid, and the Woolsey/Roybal-Allard amendment to reject cuts in child nutrition programs.

STUDENT AID

On May 8, 1995, the New York Times called the Republican budget "the strongest assault in recent years [on the student aid programs which] many lower and middle-income families have relied on since passage of the nation's first major federal student aid program, the Higher Education Act of 1965." In supporting the Woolsey/Pomeroy amendment to restore the college loan interest subsidy which the government provides to students while they are in college, we hoped to beat back some of this unfair assault on low and middle-income college students and their families.

We proposed to pay for this student aid restoration by taking a bite out of the $350 billion tax cut which Republicans inserted into the Resolution. We argued that it was unfair to close the classroom door on college students in order to pay for a tax cut which primarily benefits wealthy special interests.

The Woolsey/Pomeroy amendment to reject Republican cuts in student aid was defeated on a party line vote. We believe this assault on student aid makes a mockery of our nation's core values—the opportunity to get a good education, and the opportunity to get ahead. In addition, we believe these cuts in student aid threaten our future economic health and global competitiveness. In a time when our country needs people who are more educated, not less, in order to compete in the global marketplace, this assault on our low and middle-income kids and their families is also an assault on America's economic future.

CHILD NUTRITION

The Woolsey/Roybal-Allard amendment to reject Republican cuts in School Lunch, School Breakfast, and other nutrition programs was an effort to protect our nation's most important asset—our children. Again, the amendment was paid for by slightly scaling back the Republican $350 billion tax cut. Unfortunately, our nation's most important asset lost out to the wealthy special interests who benefit from this tax break, and the amendment was defeated on a party-line vote.

Committee Republicans argued that their proposed reductions in funding to meet future needs in child nutrition programs was not an important issue. They claimed that they were not even cutting child nutrition programs, but were simply reducing the rate of increase. They argued that "only in Washington do people call a reduction in the rate of increase a cut." We responded that only in Washington do people call the mean-spirited deprivation of nutrition to low-income children a "reduction in the rate of increase." We believe that Republican efforts to steer the discussion to budgetary semantics masks the reality which will confront our children if this Resolution passes. Children will go hungry.

The "increase" which Republicans propose in this Resolution is not nearly enough to maintain current services under these child nutrition programs, primarily due to expanding eligibility and rising food prices. States would be forced to either deny eligibility to kids who currently qualify, or cut the nutrition level of the meals that children receive, or sometimes both.

THE DIFFERENCES ARE REAL

When defending their efforts to cut student aid and child nutrition, Committee Republicans argued that everything must be on the table in order to reach a balanced budget. This argument fails to recognize that passage of these amendments would still have led to a balanced budget by 2002. Republicans failed to acknowledge that these amendments were not choices between student aid and a balanced budget, or child nutrition and a balanced budget. These amendments asked Budget Committee Members for a clear "yes or no" answer to the following question: Should we take nutrition away from kids and college aid away from low and middle-income students in order to pay for tax cuts which put money into the hands of wealthy special interests? Committee Republicans answered "yes." Democrats answered "no." The differences are real.

LYNN WOOLSEY.
EARL POMEROY.
LUCILLE ROYBAL-ALLARD.

APPENDIX

HOUSE CONCURRENT RESOLUTION

Resolved by the House of Representatives (the Senate concurring),

SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1996.

The Congress determines and declares that this resolution is the concurrent resolution on the budget for fiscal year 1996, including the appropriate budgetary levels for fiscal years 1997, 1998, 1999, 2000, 2001, and 2002, as required by section 301 of the Congressional Budget Act of 1974.

SEC. 2. RECOMMENDED LEVELS AND AMOUNTS.

The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1995, October 1, 1996, October 1, 1997, October 1, 1998, October 1, 1999, October 1, 2000, and October 1, 2001:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1996: $1,057,500,000,000.
Fiscal year 1997: $1,058,500,000,000.
Fiscal year 1998: $1,099,600,000,000.
Fiscal year 1999: $1,138,700,000,000.
Fiscal year 2000: $1,189,300,000,000.
Fiscal year 2001: $1,247,200,000,000.
Fiscal year 2002: $1,316,600,000,000.

and the amounts by which the aggregate levels of Federal revenues should be changed are as follows:

Fiscal year 1996: $14,987,000,000.
Fiscal year 1997: −$24,393,000,000.
Fiscal year 1998: −$34,772,000,000.
Fiscal year 1999: −$48,354,000,000.
Fiscal year 2000: −$58,836,000,000.
Fiscal year 2001: −$69,275,000,000.
Fiscal year 2002: −$71,859,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1996: $103,815,000,000.
Fiscal year 1997: $108,986,000,000.
Fiscal year 1998: $114,877,000,000.
Fiscal year 1999: $120,698,000,000.
Fiscal year 2000: $126,893,000,000.
Fiscal year 2001: $133,590,000,000.
Fiscal year 2002: $140,425,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1996: $1,285,900,000,000.
Fiscal year 1997: $1,321,900,000,000.
Fiscal year 1998: $1,355,800,000,000.
Fiscal year 1999: $1,388,800,000,000.
Fiscal year 2000: $1,421,800,000,000.
Fiscal year 2001: $1,436,000,000,000.
Fiscal year 2002: $1,459,800,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1996: $1,287,000,000,000.
Fiscal year 1997: $1,313,900,000,000.
Fiscal year 1998: $1,326,800,000,000.
Fiscal year 1999: $1,363,500,000,000.
Fiscal year 2000: $1,400,800,000,000.
Fiscal year 2001: $1,414,200,000,000.
Fiscal year 2002: $1,437,300,000,000.

(4) The amounts of the deficits are as follows:

Fiscal year 1996: −$229,500,000,000.
Fiscal year 1997: −$255,400,000,000.
Fiscal year 1998: −$227,200,000,000.
Fiscal year 1999: −$224,800,000,000.
Fiscal year 2000: −$211,500,000,000.
Fiscal year 2001: −$167,000,000,000.
Fiscal year 2002: −$120,700,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1996: $5,195,000,000,000.
Fiscal year 1997: $5,516,100,000,000.
Fiscal year 1998: $5,809,800,000,000.
Fiscal year 1999: $6,099,700,000,000.
Fiscal year 2000: $6,374,300,000,000.
Fiscal year 2001: $6,614,400,000,000.
Fiscal year 2002: $6,806,100,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1995, October 1, 1996, October 1, 1997, October 1, 1998, October 1, 1999, October 1, 2000, and October 1, 2001 are as follows:

Fiscal year 1996:

(A) New direct loan obligations, $37,600,000,000.

(B) New primary loan guarantee commitments, $193,400,000,000.

Fiscal year 1997:

(A) New direct loan obligations, $40,200,000,000.

(B) New primary loan guarantee commitments, $187,900,000,000.

Fiscal year 1998:

(A) New direct loan obligations, $42,300,000,000.

(B) New primary loan guarantee commitments, $185,300,000,000.

Fiscal year 1999:

(A) New direct loan obligations, $45,700,000,000.

(B) New primary loan guarantee commitments, $183,300,000,000.

Fiscal year 2000:

(A) New direct loan obligations, $45,800,000,000.

(B) New primary loan guarantee commitments, $184,700,000,000.

Fiscal year 2001:

(A) New direct loan obligations, $45,800,000,000.

(B) New primary loan guarantee commitments, $186,100,000,000.

Fiscal year 2002:

(A) New direct loan obligations, $46,100,000,000.

(B) New primary loan guarantee commitments, $187,600,000,000.

SEC. 3. MAJOR FUNCTIONAL CATEGORIES.

The Congress determines and declares that the appropriate levels of new budget authority, budget outlays, new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1996 through 2002 for each major functional category are:

(1) National Defense (050):

Fiscal year 1996:

(A) New budget authority, $267,300,000,000.

(B) Outlays, $265,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $1,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $269,300,000,000.

(B) Outlays, $265,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $1,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $277,300,000,000.

(B) Outlays, $265,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $1,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $281,300,000,000.

(B) Outlays, $271,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $1,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $287,300,000,000.

(B) Outlays, $279,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $1,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $287,300,000,000.

(B) Outlays, $279,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $1,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $287,200,000,000.

(B) Outlays, $279,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $1,700,000,000.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1996:

(A) New budget authority, $15,800,000,000.

(B) Outlays, $17,000,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $13,700,000,000.

(B) Outlays, $15,100,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $11,300,000,000.

(B) Outlays, $13,300,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $9,700,000,000.

(B) Outlays, $11,500,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $10,500,000,000.

(B) Outlays, $10,000,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $12,000,000,000.

(B) Outlays, $11,100,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $12,000,000,000.

(B) Outlays, $10,700,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

(3) General Science, Space, and Technology (250):

Fiscal year 1996:

(A) New budget authority, $16,700,000,000.

(B) Outlays, $16,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $16,300,000,000.

(B) Outlays, $16,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $15,700,000,000.

(B) Outlays, $16,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999 :

(A) New budget authority, $15,300,000,000.

(B) Outlays, $15,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $14,900,000,000.

(B) Outlays, $14,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $14,900,000,000.

(B) Outlays, $14,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $14,900,000,000.

(B) Outlays, $14,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1996:
(A) New budget authority, $4,400,000,000.
(B) Outlays, $4,300,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1997:
(A) New budget authority, $3,900,000,000.
(B) Outlays, $3,200,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1998:
(A) New budget authority, $3,600,000,000.
(B) Outlays, $2,900,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1999:
(A) New budget authority, $3,900,000,000.
(B) Outlays, $3,100,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 2000:
(A) New budget authority, $3,600,000,000.
(B) Outlays, $2,700,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 2001:
(A) New budget authority, $3,600,000,000.
(B) Outlays, $2,500,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 2002:
(A) New budget authority, $3,500,000,000.
(B) Outlays, $2,300,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
(5) Natural Resources and Environment (300):
Fiscal year 1996:
(A) New budget authority, $19,300,000,000.
(B) Outlays, $20,200,000,000.
(C) New direct loan obligations, $100,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1997:
(A) New budget authority, $19,100,000,000.
(B) Outlays, $19,900,000,000.
(C) New direct loan obligations, $100,000.
(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $17,200,000,000.

(B) Outlays, $17,800,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $18,600,000,000.

(B) Outlays, $19,100,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $17,400,000,000.

(B) Outlays, $17,800,000,000.

(C) New direct loan obligations, $100,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $17,900,000,000.

(B) Outlays, $18,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $17,800,000,000.

(B) Outlays, $18,100,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1996:

(A) New budget authority, $13,000,000,000.

(B) Outlays, $11,800,000,000.

(C) New direct loan obligations, $11,500,000,000.

(D) New primary loan guarantee commitments, $5,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $12,800,000,000.

(B) Outlays, $11,500,000,000.

(C) New direct loan obligations, $11,500,000,000.

(D) New primary loan guarantee commitments, $5,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $11,600,000,000.

(B) Outlays, $10,400,000,000.

(C) New direct loan obligations, $10,900,000,000.

(D) New primary loan guarantee commitments, $5,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $11,400,000,000.
(B) Outlays, $10,100,000,000.
(C) New direct loan obligations, $11,600,000,000.
(D) New primary loan guarantee commitments, $5,700,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:
(A) New budget authority, $10,200,000,000.
(B) Outlays, $9,000,000,000.
(C) New direct loan obligations, $11,400,000,000.
(D) New primary loan guarantee commitments, $5,700,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:
(A) New budget authority, $8,100,000,000.
(B) Outlays, $7,100,000,000.
(C) New direct loan obligations, $11,100,000,000.
(D) New primary loan guarantee commitments, $5,700,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:
(A) New budget authority, $8,100,000,000.
(B) Outlays, $7,000,000,000.
(C) New direct loan obligations, $10,900,000,000.
(D) New primary loan guarantee commitments, $5,700,000,000.
(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1996:
(A) New budget authority, $2,300,000,000.
(B) Outlays, −$6,900,000,000.
(C) New direct loan obligations, $1,400,000,000.
(D) New primary loan guarantee commitments, $123,100,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:
(A) New budget authority, $4,100,000,000.
(B) Outlays, −$2,600,000,000.
(C) New direct loan obligations, $1,400,000,000.
(D) New primary loan guarantee commitments, $123,100,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:
(A) New budget authority, $2,800,000,000.
(B) Outlays, −$4,700,000,000.
(C) New direct loan obligations, $1,400,000,000.
(D) New primary loan guarantee commitments, $123,100,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:
(A) New budget authority, $2,200,000,000.
(B) Outlays, −$3,000,000,000.
(C) New direct loan obligations, $1,400,000,000.

(D) New primary loan guarantee commitments, $123,100,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 2000:
(A) New budget authority, $1,900,000,000.
(B) Outlays, −$2,200,000,000.
(C) New direct loan obligations, $1,400,000,000.
(D) New primary loan guarantee commitments, $123,100,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 2001:
(A) New budget authority, $1,300,000,000.
(B) Outlays, −$2,500,000,000.
(C) New direct loan obligations, $1,400,000,000.
(D) New primary loan guarantee commitments, $123,100,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 2002:
(A) New budget authority, $1,000,000,000.
(B) Outlays, −$2,600,000,000.
(C) New direct loan obligations, $1,400,000,000.
(D) New primary loan guarantee commitments, $123,100,000,000.
(E) New secondary loan guarantee commitments, $0.

(8) Transportation (400):
Fiscal year 1996:
(A) New budget authority, $40,500,000,000.
(B) Outlays, $38,800,000,000.
(C) New direct loan obligations, $200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1997:
(A) New budget authority, $42,700,000,000.
(B) Outlays, $37,500,000,000.
(C) New direct loan obligations, $200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1998:
(A) New budget authority, $43,500,000,000.
(B) Outlays, $36,600,000,000.
(C) New direct loan obligations, $200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1999:
(A) New budget authority, $43,700,000,000.
(B) Outlays, $35,600,000,000.
(C) New direct loan obligations, $200,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 2000:
(A) New budget authority, $44,300,000,000.
(B) Outlays, $34,900,000,000.
(C) New direct loan obligations, $200,000,000.
(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $43,800,000,000.

(B) Outlays, $34,200,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $43,300,000,000.

(B) Outlays, $33,700,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1996:

(A) New budget authority, $6,700,000,000.

(B) Outlays, $9,900,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $1,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $6,700,000,000.

(B) Outlays, $7,800,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $1,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $6,700,000,000.

(B) Outlays, $6,700,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $1,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $6,700,000,000.

(B) Outlays, $6,500,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $1,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $6,700,000,000.

(B) Outlays, $6,600,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $1,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $6,200,000,000.

(B) Outlays, $6,400,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $1,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $6,100,000,000.

(B) Outlays, $6,400,000,000.

(C) New direct loan obligations, $2,700,000,000.

(D) New primary loan guarantee commitments, $1,200,000,000.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1996:

(A) New budget authority, $45,700,000,000.

(B) Outlays, $52,300,000,000.

(C) New direct loan obligations, $13,600,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $45,000,000,000.

(B) Outlays, $46,400,000,000.

(C) New direct loan obligations, $16,300,000,000.

(D) New primary loan guarantee commitments, $15,900,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $44,900,000,000.

(B) Outlays, $44,600,000,000.

(C) New direct loan obligations, $19,100,000,000.

(D) New primary loan guarantee commitments, $15,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $45,400,000,000.

(B) Outlays, $44,700,000,000.

(C) New direct loan obligations, $21,800,000,000.

(D) New primary loan guarantee commitments, $14,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $45,900,000,000.

(B) Outlays, $45,200,000,000.

(C) New direct loan obligations, $21,900,000,000.

(D) New primary loan guarantee commitments, $15,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $45,000,000,000.

(B) Outlays, $44,200,000,000.

(C) New direct loan obligations, $22,000,000,000.

(D) New primary loan guarantee commitments, $15,800,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $44,600,000,000.

(B) Outlays, $43,700,000,000.

(C) New direct loan obligations, $22,200,000,000.

(D) New primary loan guarantee commitments, $16,600,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1996:

(A) New budget authority, $121,900,000,000.

(B) Outlays, $122,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $127,700,000,000.

(B) Outlays, $127,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $132,100,000,000.

(B) Outlays, $132,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $136,700,000,000.

(B) Outlays, $136,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $141,500,000,000.

(B) Outlays, $141,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $146,300,000,000.

(B) Outlays, $146,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $149,100,000,000.

(B) Outlays, $148,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1996:

(A) New budget authority, $177,600,000,000.

(B) Outlays, $175,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $186,600,000,000.

(B) Outlays, $185,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $195,900,000,000.

(B) Outlays, $194,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $206,300,000,000.

(B) Outlays, $203,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $214,800,000,000.

(B) Outlays, $212,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $224,400,000,000.

(B) Outlays, $222,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $234,600,000,000.

(B) Outlays, $232,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1996:

(A) New budget authority, $222,700,000,000.

(B) Outlays, $225,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $231,800,000,000.

(B) Outlays, $235,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $248,400,000,000.

(B) Outlays, $243,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $255,400,000,000.

(B) Outlays, $254,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $265,900,000,000.

(B) Outlays, $267,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $267,600,000,000.

(B) Outlays, $269,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $277,600,000,000.

(B) Outlays, $279,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1996:

(A) New budget authority, $5,900,000,000.

(B) Outlays, $8,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $8,100,000,000.

(B) Outlays, $10,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $8,800,000,000.

(B) Outlays, $11,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $9,600,000,000.

(B) Outlays, $12,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $10,500,000,000.

(B) Outlays, $12,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $11,100,000,000.

(B) Outlays, $13,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $11,700,000,000.

(B) Outlays, $14,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1996:

(A) New budget authority, $37,600,000,000.

(B) Outlays, $36,900,000,000.

(C) New direct loan obligations, $1,200,000,000.

(D) New primary loan guarantee commitments, $26,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $38,100,000,000.

(B) Outlays, $38,100,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $21,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $38,500,000,000.

(B) Outlays, $38,500,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $19,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $39,100,000,000.
(B) Outlays, $39,000,000,000.
(C) New direct loan obligations, $1,000,000,000.
(D) New primary loan guarantee commitments, $18,600,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:
(A) New budget authority, $39,200,000,000.
(B) Outlays, $40,600,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $19,300,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:
(A) New budget authority, $39,700,000,000.
(B) Outlays, $41,200,000,000.
(C) New direct loan obligations, $1,400,000,000.
(D) New primary loan guarantee commitments, $19,900,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:
(A) New budget authority, $40,100,000,000.
(B) Outlays, $41,600,000,000.
(C) New direct loan obligations, $1,700,000,000.
(D) New primary loan guarantee commitments, $20,600,000,000.
(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1996:
(A) New budget authority, $17,800,000,000.
(B) Outlays, $17,800,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:
(A) New budget authority, $16,900,000,000.
(B) Outlays, $17,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:
(A) New budget authority, $16,600,000,000.
(B) Outlays, $16,900,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:
(A) New budget authority, $16,400,000,000.
(B) Outlays, $16,700,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:
(A) New budget authority, $16,400,000,000.

(B) Outlays, $16,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:
(A) New budget authority, $16,000,000,000.
(B) Outlays, $16,200,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:
(A) New budget authority, $15,900,000,000.
(B) Outlays, $16,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1996:
(A) New budget authority, $11,600,000,000.
(B) Outlays, $12,400,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:
(A) New budget authority, $11,600,000,000.
(B) Outlays, $11,800,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:
(A) New budget authority, $12,500,000,000.
(B) Outlays, $12,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:
(A) New budget authority, $11,700,000,000.
(B) Outlays, $11,500,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:
(A) New budget authority, $12,100,000,000.
(B) Outlays, $12,000,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:
(A) New budget authority, $11,300,000,000.
(B) Outlays, $11,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $11,300,000,000.
(B) Outlays, $11,000,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(18) Net Interest (900):

Fiscal year 1996:
(A) New budget authority, $295,800,000,000.
(B) Outlays, $295,800,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:
(A) New budget authority, $304,100,000,000.
(B) Outlays, $304,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:
(A) New budget authority, $308,400,000,000.
(B) Outlays, $308,400,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:
(A) New budget authority, $314,300,000,000.
(B) Outlays, $314,300,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:
(A) New budget authority, $319,400,000,000.
(B) Outlays, $319,400,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:
(A) New budget authority, $320,000,000.
(B) Outlays, $320,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:
(A) New budget authority, $322,600,000,000.
(B) Outlays, $322,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(19) Allowances (920):

Fiscal year 1996:
(A) New budget authority, $2,300,000,000.
(B) Outlays, $1,900,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $2,400,000,000.

(B) Outlays, $2,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $2,400,000,000.

(B) Outlays, $2,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $2,500,000,000.

(B) Outlays, $2,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $2,600,000,000.

(B) Outlays, $2,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $2,600,000,000.

(B) Outlays, 2,900,000,000

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $2,600,000,000.

(B) Outlays, $2,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(20) Undistributed Offsetting Receipts (950):

Fiscal year 1996:

(A) New budget authority, $34,400,000,000.

(B) Outlays, $34,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1997:

(A) New budget authority, $34,200,000,000.

(B) Outlays, $34,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1998:

(A) New budget authority, $37,600,000,000.

(B) Outlays, $37,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1999:

(A) New budget authority, $36,400,000,000.
(B) Outlays, $36,400,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2000:

(A) New budget authority, $38,100,000,000.
(B) Outlays, $38,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2001:

(A) New budget authority, $37,900,000,000.
(B) Outlays, $37,900,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 2002:

(A) New budget authority, $39,000,000,000.
(B) Outlays, $39,000,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

SEC. 4. RECONCILIATION.

(a)(1) Not later than July 14, 1995, the House committees named in paragraphs (1) through (12) of subsection (b) of this section shall submit their recommendations to the House Committee on the Budget. After receiving those recommendations, the House Committee on the Budget shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revision.

(2) Each committee named in paragraphs (1) through (11) of subsection (b) shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee for—

(A) fiscal year 1996,

(B) the 5-year period beginning with fiscal year 1996 and ending with fiscal year 2000, and

(C) the 7-year period beginning with fiscal year 1996 and ending with fiscal year 2002,

does not exceed the total level of direct spending in that period in the paragraph applicable to that committee.

(3) Each committee named in paragraphs (2)(B), (4)(B), (5)(B), and (6)(B) of subsection (b) shall report changes in laws within its jurisdiction as set forth in the paragraph applicable to that committee.

(4) The Committee on Ways and Means shall carry out subsection (b)(12).

(b)(1) The House Committee on Agriculture: $35,824,000,000 in outlays in fiscal year 1996, $171,886,000,000 in outlays in fiscal years 1996 through 2000, and $263,102,000,000 in outlays in fiscal years 1996 through 2002.

(2)(A) The House Committee on Banking and Financial Services: −$12,897,000,000 in outlays in fiscal year 1996, −$43,065,000,000 in outlays in fiscal years 1996 through 2000, and −$57,184,000,000 in outlays in fiscal years 1996 through 2002.

(B) The House Committee on Banking and Financial Services shall report changes in laws within its jurisdiction that would reduce the deficit by: $0 in fiscal year 1996, −$100,000,000 in fiscal years 1996 through 2000, and −$260,000,000 in fiscal years 1996 through 2002.

(3) The House Committee on Commerce: $293,665,000,000 in outlays in fiscal year 1996, $1,726,600,000,000 in outlays in fiscal years 1996 through 2000, and $2,625,094,000,000 in outlays in fiscal years 1996 through 2002.

(4)(A) The House Committee on Economic and Educational Opportunities: $13,727,000,000 in outlays in fiscal year 1996, $61,570,000,000 in outlays in fiscal years 1996 through 2000, and $95,520,000,000 in outlays in fiscal years 1996 through 2002.

(B) In addition to changes in law reported pursuant to subparagraph (A), the House Committee on Economic and Educational Opportunities shall report program changes in laws within its jurisdiction that would result in a reduction in outlays as follows: −$720,000,000 in fiscal year 1996, −$5,908,000,000 in fiscal years 1996 through 2000, and −$9,018,000,000 in fiscal years 1996 through 2002.

(5)(A) The House Committee on Government Reform and Oversight: $57,725,000,000 in outlays in fiscal year 1996, $313,647,000,000 in outlays in fiscal years 1996 through 2000, and $455,328,000,000 in outlays in fiscal years 1996 through 2002.

(B) In addition to changes in law reported pursuant to subparagraph (A), the House Committee on Government Reform and Oversight shall report changes in laws within its jurisdiction that would reduce the deficit by: −$988,000,000 in fiscal year 1996, −$9,618,000,000 in fiscal years 1996 through 2000, and −$14,740,000,000 in fiscal years 1996 through 2002.

(6)(A) The House Committee on International Relations: $14,246,000,000 in outlays in fiscal year 1996, $62,076,000,000 in outlays in fiscal years 1996 through 2000, and $83,206,000,000 in outlays in fiscal years 1996 through 2002.

(B) In addition to changes in law reported pursuant to subparagraph (A), the House Committee on International Relations shall report changes in laws within its jurisdiction that would reduce the deficit by: −$19,000,000,000 in fiscal year 1996, −$95,000,000,000 in fiscal years 1996 through 2000, and −$123,000,000 in fiscal years 1996 through 2002.

(7) The House Committee on the Judiciary: $2,580,000,000 in outlays in fiscal year 1996, $14,043,000,000 in outlays in fiscal years 1996 through 2000, and $20,029,000,000 in outlays in fiscal years 1996 through 2002.

(8) The House Committee on National Security: $38,769,000,000 in outlays in fiscal year 1996, $224,682,000,000 in outlays in fiscal years 1996 through 2000, and $328,334,000,000 in outlays in fiscal years 1996 through 2002.

(9) The House Committee on Resources: $1,558,000,000 in outlays in fiscal year 1996, $6,532,000,000 in outlays in fiscal years 1996 through 2000, and $12,512,000,000 in outlays in fiscal years 1996 through 2002.

(10) The House Committee on Transportation and Infrastructure: $16,636,000,000 in outlays in fiscal year 1996, $83,227,000,000 in outlays in fiscal years 1996 through 2000, and $117,079,000,000 in outlays in fiscal years 1996 through 2002.

(11) The House Committee on Veterans' Affairs: $19,041,000,000 in outlays in fiscal year 1996, $105,965,000,000 in outlays in fiscal years 1996 through 2000, and $154,054,000,000 in outlays in fiscal years 1996 through 2002.

(12)(A) The House Committee on Ways and Means shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee for—

(i) fiscal year 1996,

(ii) the 5-year period beginning with fiscal year 1996 and ending with fiscal year 2000, and

(iii) the 7-year period beginning with fiscal year 1996 and ending with fiscal year 2002,

does not exceed the following level in that period: $356,336,000,000 in outlays in fiscal year 1996, $2,152,905,000,000 in outlays in fiscal years 1996 through 2000, and $3,297,787,000,000 in outlays in fiscal years 1996 through 2002.

(B) In addition to changes in law reported pursuant to subparagraph (A), the House Committee on Ways and Means shall report changes in laws within its jurisdiction such that the total level of revenues for that committee for—

(i) fiscal year 1996,

(ii) the 5-year period beginning with fiscal year 1996 and ending with fiscal year 2000, and

(iii) the 7-year period beginning with fiscal year 1996 and ending with fiscal year 2002,

is not less than the following amount in that period: $1,027,612,000,000 in fiscal year 1996, $5,371,087,000,000 in fiscal years 1996 through 2000, and $7,836,405,000,000 in fiscal years 1996 through 2002.

(c)(1) Not later than September 14, 1995, the House committees named in paragraphs (2) and (3) shall submit their recommendations to the House Committee on the Budget. After receiving those recommendations, the House Budget Committee shall report to the House a reconciliation bill carrying out all such recommendations without any substantive revisions.

(2) In addition to changes in laws reported pursuant to subsection (b)(3), the House Committee on Commerce shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee for—

(A) fiscal year 1996,

(B) the 5-year period beginning with fiscal year 1996 and ending with fiscal year 2000, and

(C) the 7-year period beginning with fiscal year 1996 and ending with fiscal year 2002,

does not exceed the following level in that period: $287,165,000,000 in outlays in fiscal year 1996, $1,592,200,000,000 in outlays in fiscal years 1996 through 2000, and $2,338,694,000,000 in outlays in fiscal years 1996 through 2002.

(3) In addition to changes in laws reported pursuant to subsection (b)(12), the House Committee on Ways and Means shall report changes in laws within its jurisdiction that provide direct spending such that the total level of direct spending for that committee for—

(A) fiscal year 1996,

(B) the 5-year period beginning with fiscal year 1996 and ending with fiscal year 2000, and

(C) the 7-year period beginning with fiscal year 1996 and ending with fiscal year 2002,

does not exceed the following level in that period: $349,836,000,000 in outlays in fiscal year 1996, $2,018,505,000,000 in outlays in fiscal years 1996 through 2000, and $3,009,387,000,000 in outlays in fiscal years 1996 through 2002.

(d) For purposes of this section, the term "direct spending" has the meaning given to such term in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 5. SALE OF GOVERNMENT ASSETS.

(a) SENSE OF CONGRESS.—It is the sense of the Congress that—

(1) the prohibition on scoring asset sales has discouraged the sale of assets that can be better managed by the private sector and generate receipts to reduce the Federal budget deficit;

(2) the President's fiscal year 1996 budget included $8,000,000,000 in receipts from asset sales and proposed a change in the asset sale scoring rule to allow the proceeds from these sales to be scored;

(3) assets should not be sold if such sale would increase the budget deficit over the long run; and

(4) the asset sale scoring prohibition should be repealed and consideration should be given to replacing it with a methodology that takes into account the long-term budgetary impact of asset sale.

(b) BUDGETARY TREATMENT.—For purposes of the Congressional Budget Act of 1974, the amounts realized from sales of assets shall be scored with respect to the level of budget authority, outlays, or revenues.

(c) DEFINITION.—For purposes of this section, the term "sale of an asset" shall have the same meaning as under section 250(c)(21) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(d) TREATMENT OF LOAN ASSETS.—For purposes of this section, the sale of loan assets or the prepayment of a loan shall be governed by the terms of the Federal Credit Reform Act of 1990.

SEC. 6. INTERNAL REVENUE SERVICE COMPLIANCE INITIATIVE.

(a) ADJUSTMENTS.—(1) For purposes of points of order under the Congressional Budget Act of 1974 and concurrent resolutions on the budget—

(A) the discretionary spending limits under section 601(a)(2) of that Act (and those limits as cumulatively adjusted) for the current fiscal year and each outyear;

(B) the allocations to the Committee on Appropriations under sections 302(a) and 602(a) of that Act; and

(C) the appropriate budgetary aggregates in the most recently agreed to concurrent resolution on the budget,

shall be adjusted to reflect the amounts of additional new budget authority or additional outlays (as defined in paragraph (2)) reported by the Committee on Appropriations in appropriation Acts (or by the committee of conference on such legislation) for the Internal Revenue Service compliance initiative activities in any fiscal year, but not to exceed in any fiscal year $405,000,000 in new budget authority and $405,000,000 in outlays.

(2) As used in this section, the terms "additional new budget authority" or "additional outlays" shall mean, for any fiscal year, budget authority or outlays (as the case may be) in excess of the amounts requested for that fiscal year for the Internal Revenue Service in the President's Budget for fiscal year 1996.

(b) REVISED LIMITS, ALLOCATIONS, AND AGGREGATES.—Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on such legislation (if a conference report is submitted), the chairman of the Committee on the Budget of the Senate or the House of Representatives (as the case may be) shall submit to that chairman's respective House appropriately revised—

(1) discretionary spending limits under section 601(a)(2) of the Congressional Budget Act of 1974 (and those limits as cumulatively adjusted) for the current fiscal year and each outyear;

(2) allocations to the Committee on Appropriations under sections 302(a) and 602(a) of that Act; and

(3) appropriate budgetary aggregates in the most recently agreed to concurrent resolution on the budget,

to carry out this subsection. These revised discretionary spending limits, allocations, and aggregates shall be considered for purposes of congressional enforcement under that Act as the discretionary spending limits, allocations, and aggregates.

(c) REPORTING REVISED SUBALLOCATIONS.—The Committees on Appropriations of the Senate and the House of Representatives may report appropriately revised suballocations pursuant to sections 302(b)(1) and 602(b)(1) of the Congressional Budget Act of 1974 to carry out this section.

(d) CONTINGENCIES.—

(1) The Internal Revenue Service and the Department of the Treasury have certified that they are firmly committed to the principles of privacy, confidentiality, courtesy, and protection of taxpayer rights. To this end, the Internal Revenue Service and the Department of the Treasury have explicitly committed to initiate and implement educational programs for any new employees hired as a result of the compliance initiative made possible by this section.

(2) This section shall not apply to any additional new budget authority or additional outlays unless—

(A) the chairmen of the Budget Committees certify, based upon information from the Congressional Budget Office, the General Accounting Office, and the Internal Revenue Service (as well as from any other sources they deem relevant), that such budget authority or outlays will not increase the total of the Federal budget deficits over the next five years; and

(B) any funds made available pursuant to such budget authority or outlays are available only for the purpose of carrying out Internal Revenue Service compliance initiative activities.

SEC. 7. SENSE OF THE CONGRESS ON BASELINES.

(a) FINDINGS.—The Congress finds that:

(1) Baselines are projections of future spending if existing policies remain unchanged.

(2) Under baseline assumptions, spending automatically rises with inflation even if such increases are not provided under current law.

(3) Baseline budgeting is inherently biased against policies that would reduce the projected growth in spending because such policies are scored as a reduction from a rising baseline.

(4) The baseline concept has encouraged Congress to abdicate its constitutional responsibility to control the public purse for programs which are automatically funded under existing law.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that baseline budgeting should be replaced with a form of budgeting that requires full justification and analysis of budget proposals and maximizes congressional accountability for public spending.

SEC. 8. SENSE OF CONGRESS ON EMERGENCIES.

(a) FINDINGS.—The Congress finds that:

(1) The Budget Enforcement Act of 1990 exempted from the discretionary spending limits and the Pay-As-You-Go requirements for entitlement and tax legislation funding requirements that are designated by Congress and the President as an emergency.

(2) Congress and the President have increasingly misused the emergency designation by—

(A) designating funding as an emergency that is neither unforeseen nor a genuine emergency, and

(B) circumventing spending limits or passing controversial items that would not pass scrutiny in a free-standing bill.

(b) SENSE OF CONGRESS.—It is the sense of Congress that Congress should study alternative approaches to budgeting for emergencies, including codifying the definition of an emergency and establishing contingency funds to pay for emergencies.

SEC. 9. SENSE OF CONGRESS REGARDING PRIVATIZATION OF THE STUDENT LOAN MARKETING ASSOCIATION (SALLIE MAE).

(a) FINDINGS.—The Congress finds that:

(1) The Student Loan Marketing Association was established in 1972 as a government-sponsored corporation dedicated to ensuring adequate private sector funding for federally guaranteed education loans.

(2) Since 1972, student loan volume has grown from $1,000,000,000 a year to $25,000,000,000 a year. The Student Loan Marketing Association was instrumental in fostering this expansion of the student loan program.

(3) With securitization and 42 secondary markets, there currently exist numerous alternatives for lenders wishing to sell or liquidate their portfolios of student loans.

(4) Maintaining Student Loan Marketing Association as a Government-sponsored enterprise exposes taxpayers to an unnecessary liability.

(b) SENSE OF CONGRESS.—It is the sense of Congress that the Student Loan Marketing Association should be restructured as a private corporation.

SEC. 10. SENSE OF HOUSE OF REPRESENTATIVES REGARDING DEBT REPAYMENT.

It is the sense of the House of Representatives that—

(1) the Congress has a basic moral and ethical responsibility to future generations to repay the Federal debt;

(2) the Congress should enact a plan that balances the budget, and then also develops a regimen for paying off the Federal debt;

(3) after the budget is balanced, a surplus should be created, which can be used to begin paying off the debt; and

(4) such a plan should be formulated and implemented so that this generation can save future generations from the crushing burdens of the Federal debt.

SEC. 11. SENSE OF CONGRESS REGARDING REPEAL OF HOUSE RULE XLIX AND THE LEGAL LIMIT ON THE PUBLIC DEBT.

It is the sense of Congress that—

(1) rule XLIX of the Rules of House of Representatives (popularly known as the Gephardt rule) should be repealed;

(2) the fiscal year 1996 reconciliation bill should be enacted into law before passage of the debt limit extension; and

(3) the debt limit should only be set at levels, and for durations, that help assure a balanced budget by fiscal year 2002 or sooner.

SEC. 12. SENSE OF CONGRESS REGARDING THE BUDGETARY TREATMENT OF THE ADMINISTRATIVE COSTS FOR DIRECT LOANS.

(a) FINDINGS.—The Congress finds that the Federal Credit Reform Act of 1990 understates the cost to the Government of direct loans because administrative costs are not included in the net present value calculation of Federal direct loan subsidy costs.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that the cost of a direct loan should be the net present value, at the time the direct loan is disbursed, of the following cash flows for the estimated life of the loan:

(1) Loan disbursement.

(2) Repayments of principal.

(3) Interest costs and other payments by or to the Government over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

(4) In the case of a direct loan made pursuant to a program for which the Congressional Budget Office estimates that for the coming fiscal year (or any prior fiscal year) loan commitments will equal or exceed $5,000,000,000, direct expenses, including expenses arising from—

(A) activities related to credit extension, loan origination, and loan servicing;

(B) payments to contractors, other Government entities, and program participants;

(C) management of contractors;

(D) collection of delinquents loans; and

(E) write-off and close-out of loans.

SEC. 13. SENSE OF THE CONGRESS REGARDING COMMISSION ON THE SOLVENCY OF THE FEDERAL MILITARY AND CIVIL SERVICE RETIREMENT FUNDS.

(a) FINDINGS.—The Congress finds that the Federal retirement system, for both military and civil service retirees, currently has liabilities of $1.1 trillion, while holding assets worth $340 billion and anticipating employee contributions of $220 billion, which leaves an unfunded liability of $540 billion.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that a high-level commission should be convened to study the problems associated with the Federal retirement system and make recommendations that will ensure the long-term solvency of the military and civil service retirement funds.

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